JOINT MEETING OF THE CITY COUNCIL AND BOARD OF ASSESSORS

MEETING: Tuesday, March 10, 2020 at 6:00 p.m.
Council Chamber, One Government Center

PRESENT: President Cliff Ponte, presiding;
Councilors Shawn E. Cadime, Michelle M. Dionne, Bradford L. Kilby, Pam Laliberte-Lebeau, Trott Lee, Christopher M. Peckham, Leo O. Pelletier and Linda M. Pereira

Board of Assessors members: Richard Gonsalves, Nancy L. Hinote, Richard Wolfson

ABSENT: None

IN ATTENDANCE: Mary Sahady, Temporary City Administrator/Director of Financial Services
Nelia M. Raposo, Administrator of Assessing
Attorney Matthew J. Thomas, 4 Park Place, Suite 101
New Bedford, MA 02740

President Cliff Ponte called the meeting to order at 6:03 p.m. and announced that the meeting may be recorded with audio or video and transmitted through any medium. The Board of Assessors Chair stated that the Board of Assessors meeting was reconvened.

The Temporary City Administrator/Director of Financial Services provided a brief overview and stated that Attorney Matthew J. Thomas will present the PowerPoint Presentation regarding the Assessment of Real Property in the City of Fall River.

Councilor Michelle M. Dionne stated that a resident provided her with copies of their real estate tax bills because they have increased 21% over three years. The resident requested that she have these bills reviewed, as they felt that this increase was excessive. She then stated that the re-evaluation increased 3-family residences by 17%. Attorney Matthew J. Thomas stated that, as a class the 3-family residences increased by 17%. He then stated that this percentage would not be actual to every 3-family residence. The Chair of the Board of Assessors stated that there may have been improvements to the property in question. Councilor Michelle M. Dionne stated that no improvements or updates have been made to this property. Attorney Matthew J. Thomas stated that an Assessor will go to inspect the location in question. Richard Gonsalves stated that if a building permit is obtained then an Assessor will perform an inspection of the property. He also stated that an inspection will be performed if there is an abatement for a property. Attorney Matthew J. Thomas then stated that any resident who feels that their tax bill is too high, may file for an abatement.

Councilor Linda M. Pereira stated that she has had residents complain that their neighbor's house is in disrepair and they keep their house in good condition and they are penalized by having to pay higher real estate taxes. Attorney Matthew J. Thomas stated that residents are not penalized by paying higher real estate taxes even though it may seem that way. He then stated that if any property is to be sold, the better maintained property would be sold for a higher price than the property that is not well maintained. Councilor Linda M. Pereira then stated that there are exemptions that some residents are eligible for and requested that a member of the Board of Assessors provide this information. Nancy L. Hinote stated that there are statutory exemptions that are available. She gave a brief overview of the available exemptions for senior citizens, surviving spouses, veterans, legally blind individuals and spouses of police officers and firefighters that were killed in the line of duty.

Councilor Linda M. Pereira then asked, "if a resident is approved for an abatement and has already paid their real estate taxes will they receive a refund?" Attorney Matthew J. Thomas stated that they would receive a refund if all four quarters of their real estate taxes were paid. Councilor Linda M. Pereira then asked if sheds and pools were taxed. Attorney Matthew J. Thomas stated they are and it is based on size. He then stated that if it is just a barrel shed, it would not be taxed.
The Chair for the Board of Assessors stated that every year Fall River residents like to compare real estate taxes in Fall River and surrounding communities. He then stated the average tax bills for the surrounding communities are:

- *Fall River $3,365.55*
- *New Bedford $3,855.36*
- *Taunton $4,191.01*

On a motion made by Board of Assessors member Nancy L. Hinote and seconded by Board of Assessors member Richard Gonsalves, the Board of Assessors voted unanimously to adjourn. On a motion made by Councilor Linda M. Pereira and seconded by Councilor Christopher M. Peckham, it was unanimously voted to adjourn at 6:50 p.m.

<u>List of documents and other exhibits used during the meeting:</u>
Agenda packet (attached)
DVD of meeting
PowerPoint Presentation – Assessment of Real Property in the City of Fall River, an overview
Division of Local Services – Municipal Glossary
Division of Local Services – Certification Standards
Board of Assessors – Exemption eligibility requirements

A true copy. Attest:
Alison M Bouchard
City Clerk

In City Council, May 5, 2020
Approved, 9 yeas

FALL RIVER
THE SCHOLARSHIP CITY
FOUNDED A.D. 1803
INCORPORATED A CITY 1854

City of Fall River Massachusetts
Office of the City Clerk

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2020 MAR -6 A 10: 29

ALISON M. BOUCHARD
CITY CLERK

CITY CLERK _________ **INÊS LEITE**
FALL RIVER, MA ASSISTANT CITY CLERK

JOINT MEETING OF THE CITY COUNCIL AND BOARD OF ASSESSORS

TUESDAY, MARCH 10, 2020 AT 6:00 PM

CITY COUNCIL CHAMBER, ONE GOVERNMENT CENTER

AGENDA

The purpose of this meeting is to allow the Board of Assessors to provide an overview of the assessment of real property in the City of Fall River

Alison M Bouchard
Alison M. Bouchard
City Clerk

ADA Coordinator: Gary P. Howayeck, Esq. 508-324-2650

Assessment of Real Property In the City of Fall River An Overview

Fall River Board of Assessors

March 10, 2020

The Basics

Pursuant to G.L. 59, § 11, Real Estate Taxes must be assessed to the person who owned it as of the January 1st immediately preceding the beginning of the Fiscal Year.

- There are certain exceptions to the rule:
  - "Heirs of"
  - Owners Unknown

The Basics

Pursuant to G.L. 59, § 20, the Assessors must assess the real estate taxes as of the value of the property on January 1st immediately preceding the beginning of the Fiscal Year, subject to certain limited exceptions.

The Basics

Pursuant to G.L. 59, § 38, Real Estate must be assessed at "full & fair cash value" of "fair market value".

- "fair market value" has been defined as the price that an owner willing, but under no compulsion to sell, ought to receive from one willing, but not under compulsion to buy.

Boston Gas Co. v. Assessors of Boston,
334 Mass. 549, 566 (1956)

The Nuts & Bolts of Value

To determine "fair market value" the Assessors must use the "Mass Appraisal Process"

- The "Mass Appraisal Process is defined by MassDOR as "the use of standardized procedures for collecting data and valuing property to ensure that all properties within a municipality are valued fairly."

The Nuts & Bolts of Value

The Mass Appraisal Process:

- relies heavily on cyclical reviews of every parcel in Fall River every 10 years;
- requires extensive statistical analysis of similarly situated properties to ensure that they are valued similarly;
- requires MassDOR to review local assessed values every five years and certify that they represent full & fair cash value – known as revaluation.

The Nuts & Bolts of Value

The Mass Appraisal Process:

- requires annual analysis in every non-revaluation year to determine whether an interim adjustment is necessary;
- is not an appraisal of each individual home, commercial, or industrial parcel;
- prevents disproportionate assessments.

The Nuts & Bolts of Value

There are three accepted methods of valuation:

- <u>Sales Comparison Approach</u> – Analysis of properties sold in Fall River during the 12 months prior to the Assessment Date (January 1);
- Considered the best method for valuing single family homes, condominium units, and small multifamily properties.

The Nuts & Bolts of Value

There are three accepted methods of valuation:

- Income Approach – Analysis of income & expenses of investment properties during the 12 months prior to the Assessment Date (January 1);
- Considered the best method for valuing office buildings, warehouses, apartment buildings and shopping centers.

The Nuts & Bolts of Value

There are three accepted methods of valuation:

- Cost Approach – Analysis of cost to reproduce Improvements and Land Value Less Depreciation.
- Considered the best method for valuing special purpose buildings such as churches, schools, and public buildings.

Sales Comparison Analysis

- Must be arms length sales of similarly situated properties;
- Sales Transactions are verified and analyzed by the Assessors office.
- Certain sales are "coded out" as non arms length sales.
- Sales from 12 months prior to Assessment Date are reported on the LA3 and reviewed by MassDOR.

Proposition 2 ½

There are some very common misunderstandings regarding Proposition 2 ½ :

- It does not cap the increase in a real estate tax bill at 2 ½ %, but rather caps the increase in the Tax Levy by 2 ½ %;
- The Tax Levy can increase by more than 2 ½ % due to New Growth, Debt Exclusions, or Overrides.

Tax Levies & Tax Bill

The Tax Levy is the amount of money the City of Fall River seeks to collect from taxes to fund municipal services.

- To calculate the Tax Levy take the projected municipal expenses and subtract Federal & State Aid, Cherry Sheet reimbursements, motor vehicle excise & other receipts.

Tax Levies & Tax Bill

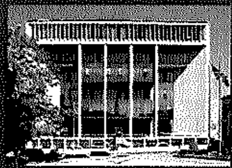
In addition to sales, there are other things that can increase assessed value which in turn will increase the real estate tax:

- <u>Improvements to the property</u> – constructing an addition or certain renovations;
- <u>Neighborhood Trends</u> – an entire neighborhood's value can increase due to market demand or other factors.

Tax Levies & Tax Bill

While the Assessors determine the Assessed Value of property in Fall River, the Assessors do not set the tax rate.

- The Tax Levy, the Tax Rate, and whether to "shift" tax burden between residential and commercial properties are all decisions of the City Council.



Tax Levies & Tax Bill

Once the Tax Levy has been calculated, it is then divided by the total property valuation in each class (residential, commercial & industrial) to determine a single tax rate.

- The appropriate tax rate is then multiplied by a specific property's assessed value to calculate the tax bill.

Tax Levies & Tax Bill

- Fall River has a "split rate" – there is a residential tax rate and a commercial tax rate.
- The decision to use a "split rate" rather than a "single rate" is made by the City Council.
- The City Council can also "shift" more or less of the tax burden to the residential or commercial class by use of a "tax factor".

Some Assessing Statistics

In Certifying Assessed Values, MassDOR looks for a Sales Price to Assessed Value Ratio between 90% and 110%

- The Assessed Values of Single Family Homes, as a class, increased by 4.1% and the ratio was 97%.
- The Assessed Values of Residential Condo Units, as a class, increased by 6% and the ratio was 98%.

Some Assessing Statistics

- The Assessed Values of Two Family Homes, as a class, increased by 5.6% and the ratio was 95%.
- The Assessed Values of Three Family Homes, as a class, increased by 17.5% and the ratio was 95%.
- The Assessed Values of Apartment Buildings, as a class, increased by 9.0% and the ratio was 96%.

Some Assessing Statistics

- The Assessed Values of Commercial Properties, as a class, increased by 1.3% and the ratio was 99%.
- The Assessed Values of Industrial Properties, as a class, increased by 9.4% and the ratio was 100%.

Questions & Answers

MUNICIPAL GLOSSARY

DIVISION OF LOCAL SERVICES

JANUARY 2020

DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Supporting a Commonwealth of Communities

mass.gov/DLS | P.O. Box 9569 Boston, MA 02114-9569 | (617) 626-2300

Abatement – A reduction or elimination of a real or personal property tax, motor vehicle excise, fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit.

Accelerated New Growth – MGL c 59 § 2A(a) is a local option statute that allows a community to value and assess new growth (i.e., new construction or other physical additions to real property) occurring by June 30 for the fiscal year beginning July 1. This local adoption law, commonly referred to as Chapter 653, allows the community to assess improved parcels, which ensures the property owner pays his fair share of the cost of government operations for the fiscal year beginning July 1 rather than a year later.

Advance Refunding of Debt – This occurs when new debt is issued to replace or redeem old debt before the maturity or call date of the old debt. Under these circumstances, the proceeds of the new debt must be placed in escrow and used to pay interest on old, outstanding debt as it becomes due and to pay the principal on the old debt, either as it matures or at an earlier call date. (See Refunding of Debt, Current Refunding of Debt)

Agency Fund – One of the four types of fiduciary funds. It is used to report resources in a purely custodial capacity by a governmental unit. Agency funds generally involve only the receipt, temporary investment, and periodic transfer of money to fulfill legal obligations to individuals, private organizations, or other governments. For example, certain employee payroll withholdings typically accumulate in an agency fund until due and subsequently forwarded to the federal government, health care provider, and so forth.

Amended New Growth – When the assessors discover inadvertently omitted properties that would have been new growth, they may submit an Amended Tax Base Growth Report (Form LA-13A) to BLA before setting the tax rate for the next fiscal year. BLA will certify the amount of any additional tax base growth and notify BOA. BOA will then recalculate the community's levy limit and notify the assessors of the new base for the purposes of calculating the succeeding year's levy limit.

Amortization – The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

Appellate Tax Board (ATB) – Appointed by the governor, the ATB has jurisdiction to decide appeals from local decisions relating to property taxes, motor vehicle excises, state-owned land valuations, exemption eligibility, property classification, and equalized valuations.

Appropriation – An authorization granted by a town meeting, city council or other legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

Arbitrage – As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

Arm's Length Sale – A transfer of property ownership between a willing seller not under compulsion to sell and a willing buyer not under compulsion to buy. The sale price is the amount of money, or its equivalent, that probably would be arrived at through fair negotiations taking into consideration the uses to which the property may be put and allowing a reasonable time for exposure to the market.

Assessed Valuation – A value assigned to real estate or other property by a government as the basis for levying taxes. In Massachusetts, assessed valuation is based on the property's full and fair cash value as set by the Assessors. (See Ad Valorem; Full And Fair Cash Value)

Assessment Date – The date property tax liability is fixed. In Massachusetts, property taxes are assessed as of the January 1 prior to the fiscal year. Assessors determine the physical status of taxable real and personal property, its ownership, fair cash value, and usage classification as of that date. By local option (MGL c. 59 § 2D), the physical status of real property on June 30 is deemed to be its condition on the previous January 1.

Assessment Sale Ratio (ASR) – Property assessed value divided by sales price. Expresses the relationship between the assessed value of a sold property and its most recent sales price. The ASR is instrumental in BLA's certification of municipal property values completed every five years.

Audit – An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor) resulting in a report on the fairness of financial statements and local compliance with statutes and regulations. The audit serves as a valuable management tool for evaluating a community's fiscal performance.

Audit Committee – A committee appointed by the select board, mayor, or city council with specific responsibility to review a community's independent audit of financial statements and address all issues relating to it, as well as those outlined in the accompanying management letter.

Audit Management Letter – An independent auditor's written communication to government officials, separate from the community's audit. It generally identifies deficient areas, if any, and presents recommendations for improving accounting procedures and other internal controls.

Audit Report – Prepared by an independent auditor, an audit report includes: (a) a statement of the audit's scope; (b) explanatory comments as to the application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e) supplementary comments, recommendations and statistical tables. It is very often accompanied by a management letter.

Available Funds – Balances in the various fund types that represent nonrecurring revenue sources. As a matter of sound practice, they are frequently appropriated for unforeseen expenses, capital expenditures, or other one-time costs. Examples of available funds include free cash, stabilization funds, overlay surplus, water surplus, and retained earnings.

Balance Sheet – A statement that discloses the assets, liabilities, reserves, and equities of a fund or governmental unit as of a specified date.

Bank Qualified – When a municipality issues $10,000,000 or less in bonds or notes in a calendar year, these issuances are designated as "bank qualified." The bank that purchases the security receives a tax deduction (80% of the interest cost) for this type of purchase. This deduction makes bank qualified bonds and notes attractive purchases.

Betterments (Special Assessments) – Whenever part of a community benefits from a public improvement or betterment (e.g., water, sewer, sidewalks, etc.), special property taxes may be assessed to that area's property owners to reimburse the governmental entity for all or part of the costs it incurred to complete the project. Each property parcel receiving the benefit is assessed a proportionate share of the cost, which may be paid in full or apportioned over a period of up to 20 years. If spread over the years, the community adds one year's apportionment along with one year's committed interest computed from October 1 to October 1 to the associated tax bills until the betterment has been paid.

BLA – Bureau of Local Assessment

Block Grant – A federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities.

BOA – Bureau of Accounts

Boat Excise – In accordance with MGL c. 60B, this is an amount levied on boats and ships in lieu of a personal property tax for the privilege of using the state's waterways. Assessed annually as of July 1, the excise is paid to the community where the boat or ship is usually moored or docked.

Bond – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year. (See Note)

Bond and Interest Record (Bond Register) – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue. (See Debt Statement)

Bond Anticipation Note (BAN) – Short-term debt instrument used to generate cash for initial project costs with the expectation the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be reissued for up to 10 years, provided principal repayment begins after two years (MGL c. 44 § 17).

Bond Authorization – The action of town meeting or a city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor or the board of selectmen. (See Bond Issue)

Bond Counsel – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

Bond Issue – The actual sale of the entire, or portion of, the bond amount authorized by a town meeting or city council.

Bond Premium – The difference between the market price of a bond and its face value (when the market price is higher). A premium occurs when the bond's stated interest rate is set higher than its true interest cost (the market rate). Premiums received at the time of sale must be used to pay project costs and reduce the amount borrowed by the same amount or be reserved for appropriation for purposes for which debt has or may be authorized for an equal or longer period than the original loan. Additions to the levy limit for a Proposition 2 ½ debt exclusion are restricted to the true interest cost incurred to finance the excluded project. If the premium is not used to pay project costs and reduce the amount of a debt-excluded borrowing, the annual debt exclusion must be adjusted to reflect the true interest rate.

Bond Rating (Municipal) – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard & Poor's, use rating systems that designate a letter or a combination of letters and numerals, where AAA is the highest rating and C1 is very low.

Bonds Authorized and Unissued – Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes but must be rescinded by town meeting or the city council to be removed from community's books.

Bulk Sale of Tax Receivables – A community may make bulk assignments of its delinquent property tax receivables and liens to third parties (MGL c. 60 § 2C). DLS recommends municipal officers discuss whether to use this authority and what receivables would be assigned.

Bureau of Accounts (BOA) – A bureau within the Division of Local Services charged with overseeing municipal execution of financial management laws, rules and regulations.

Bureau of Local Assessment (BLA) – Bureau within the Division of Local Services charged with overseeing municipal execution of state laws, rules and regulations involving real and personal property assessments. BLA is also responsible for determining equalized valuations and overseeing the valuation of state-owned land.

Capital Asset – Any tangible property used in the operation of government that is not easily converted into cash and that has an initial useful life extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and minimum initial cost.

Capital Budget – An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method to finance each recommended expenditure (e.g., tax levy or rates) and identify those items that were not recommended.

Capital Improvement Program – A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital plan. It coordinates community planning, fiscal capacity, and physical development. While all the community's needs should be identified in the program, there is a set of criteria that prioritize the expenditures.

Capital Outlay – The exchange of one asset (cash) for another (capital asset) with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

Capital Outlay Expenditure Exclusion – A temporary increase in the tax levy to fund a capital project or to make a capital acquisition. Such an exclusion requires a two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a communitywide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

Cash Book – A source book of original entry that a treasurer is required to maintain for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts, and disbursements through warrants.

Categorical Grant – A type of intergovernmental payment that is characterized by extensive restrictions on the uses to which the funds may be "spent" by the recipient government.

Chapter 70 School Aid – Chapter 70 refers to the school funding formula created under the Education Reform Act of 1993 by which state aid is distributed through the Cherry Sheet to help establish educational equity among municipal and regional school districts.

Chapter 90 Highway Funds – State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects (MGL c. 90 § 34). **Chapter Land** – Forest, agricultural/horticultural, and recreational lands classified, valued, and taxed according to MGL c. 61, 61A, and 61B. Land is valued at its current use rather than the full and fair cash value. The commercial property tax rate is applicable for land defined under these chapters, unless the community adopts a local option provision within each chapter to apply the open space rate.

Cherry Sheet – Named for the cherry-colored paper on which they were originally printed, the Cherry Sheet is the official notification to cities, towns, and regional school districts of the next fiscal year's state aid and assessments. The aid is in the form of distributions, which provide funds based on formulas and reimbursements that provide funds for costs incurred during a prior period for certain programs or services.

Cherry Sheet Assessments – Estimates of annual charges to cover the costs of certain state and county programs.

Cherry Sheet Offset Items – Local aid that may be spent without appropriation in the budget but which must be spent for specific municipal and regional school district programs. Current offset items include racial equality grants, school lunch grants, and public library grants. (See Offset Receipts)

Classification of Real Property – Assessors are required to classify all real property according to use into one of four classes: residential, open space, commercial, and industrial. Having classified the real property, local officials are permitted to determine locally, within limits established by statute and the Commissioner of Revenue, what percentage of the tax burden is to be borne by each class of real property and by personal property owners.

Classification of the Tax Rate – Each year, the select board or city council vote whether to exercise certain tax rate options. Those options include choosing a residential factor (MGL c. 40 § 56), and determining whether to offer an open space discount, a residential exemption (c. 59, § 5C), and/or a small commercial exemption (c. 59, § 5I) to property owners.

Code of Ethics – The provisions and requirements of MGL c. 286A pertaining to the standards of behavior and conduct to which all public officials and employees are held. (See State Ethics Commission)

Collective Bargaining – The process of negotiating workers' wages, hours, benefits, working conditions, etc., between an employer and some or all of its employees, who are represented by a recognized labor union.

Commitment – This establishes the liability for individual taxpayers. For example, the assessors' commitment of real estate taxes fixes the amount the collector will bill and collect from property owners.

Community Preservation Act (CPA) – Enacted as MGL c. 44B in 2000, the CPA permits cities and towns accepting its provisions to establish a restricted fund from which monies can be appropriated only for a) the acquisition, creation and preservation of open space; b) the acquisition, preservation, rehabilitation, and restoration of historic resources; c) the acquisition, creation, preservation, rehabilitation, and restoration of land for recreational use; d) the acquisition, creation, preservation and support of community housing; e) the rehabilitation and restoration of open space or community housing that is acquired or created using monies from the fund; and (f) a municipal affordable housing trust. Acceptance requires town meeting or city council approval or a citizen petition, together with referendum approval by majority vote. The local program is funded by a local surcharge up to 3 percent on real property tax bills and matching dollars from the state generated from registry of deeds fees.

Community Preservation Fund – A special revenue fund established pursuant to MGL c. 44B to receive all monies collected to support a CPA program, including but not limited to, tax surcharge receipts, proceeds from borrowings, funds received from the state, and proceeds from the sale of certain real estate.

Computer Assisted Mass Appraisal (CAMA) System – An automated system for maintaining property data, valuing property, and ensuring tax equity through uniform valuations.

Conservation Fund – A city or town may appropriate money to a conservation fund, which may be expended by the conservation commission for lawful conservation purposes as described in MGL c. 40 § 8C. The money may also be expended by the conservation commission for damages arising from an eminent domain taking provided that the taking was approved by a two-thirds vote of city council or town meeting.

Contingent Appropriation – An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL c. 59 § 21C (m), towns may make appropriations from the tax levy, available funds, or borrowing contingent on the subsequent passage of a Proposition 2½ override or exclusion question for the same purpose. If initially approved at an annual town meeting, voter approval of the contingent appropriation must occur by September 15. Otherwise, the referendum vote must occur within 90 days after the town meeting dissolves. The question may be placed before the voters at more than one election, but if the appropriation is not approved by the applicable deadline, it is null and void. If contingent appropriations are funded through property taxes, DLS cannot approve the tax rate until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

Contingent Debt – Debt that is not in the first instance payable as a direct obligation of the governmental unit but has been guaranteed by a pledge of its faith and credit. The obligation to pay by the guarantor arises upon the default of the borrower. An industrial revenue bond guaranteed by a municipality would constitute contingent debt.

Contingent Liabilities – Items that may become liabilities as the result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts.

Corporations Book (the Corp Book) – Annually updated and published by DLS, the Corp Book provides a listing of the domestic and foreign corporations doing business in Massachusetts as of January 1 that are subject to a tax or excise under MGL Chap. 59 (local property tax), 60A (motor vehicle excise), or 63 (corporation excises). The listing provides useful information to assessors about the taxable status of businesses located in their community.

Cost Approach – A method used to estimate the present market value of an existing property by calculating the current cost to rebuild it, then adjusting the cost downward for depreciation based on the property's actual age. Land is valued separately and added to the depreciated replacement cost.

Current Refunding of Debt – The process of immediately applying proceeds of refunding debt to redeem the old debt. That is, the maturity date on the old debt coincides with the issuance date of the new borrowing obligation. (See Refunding of Debt and Advance Refunding of Debt)

Cyclical Inspection Program – A cyclical reinspection program involves completing an interior and exterior inspection of all property over a multiyear period, not exceeding nine years.

Data Collection – Process of inspecting real and personal property and recording its attributes, quality, and condition.

Debt Authorization – Formal approval by a two-thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL c. 44 §§ 1, 2, 3, 4a, 6-15.

Debt Burden – The amount of debt carried by an issuer usually expressed as a measure of value (e.g., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

Debt Exclusion – An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy but outside of the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

Debt Limit – The maximum amount of debt a municipality may authorize for qualified purposes under state law. Under MGL c. 44 § 10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, a community can receive approval to increase its debt limit to 10 percent of EQV.

Debt Service – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Debt Service Fund – Governmental fund type used to account for the accumulation or resources for, and the payment of, general long-term debt principal and interest. In Massachusetts, these are only allowed by special legislation.

Debt Statement – A report that local treasurers are required to file with DLS showing the authorized and issued debt, retired debt, and interest paid by a community during the prior fiscal year, as well as authorized but unissued debt at year-end. Also known as the "Statement of Indebtedness."

Deferred Revenue – Amounts that do not meet the criteria for revenue recognition. Also, earned amounts that are not yet available to liquidate liabilities of a current period.

Deficit – The excess of expenditures over revenues during an accounting period. Also refers to the excess of the liabilities of a fund over its assets.

Deficit Bonds – Long-term borrowing vehicle intended to fund operating deficits and available to cities and towns only through special legislation.

Demand Notice – When a tax bill becomes past due, the collector sends a demand notice requesting payment. The collector is required to issue a demand before initiating a tax taking.

Department of Elementary and Secondary Education (DESE) – State department providing resources to school administrators, teachers, students and parents in Massachusetts. The DESE Finance section deals with a wide range of school finance issues and takes a major role in determining state aid to municipalities for education via the Local Aid projects that make up the Cherry Sheet process.

Deputy Collector – A vendor empowered to take enforcement and collection actions on behalf of a community's collector.

Designated Unreserved Fund Balance – A limitation on the use of all or part of the expendable balance in a governmental fund.

DLS – The Department of Revenue's Division of Local Services

Emergency Spending – MGL c. 44 § 31 allows a community to spend in excess of appropriation in cases of major disasters that pose immediate threats to the health or safety of people or property, following an emergency declaration by the Governor or two-thirds vote of the council or select board and the approval of the Director of Accounts.

Encumbrance – A reservation of funds to cover an obligation arising from a purchase order, contract, or salary commitment chargeable to, but not yet paid from, a specific appropriation account.

Enterprise Fund – Authorized by MGL c. 44 § 53F½, an enterprise fund is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of a service's total costs recovered through user charges and the portion subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital --are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus," or retained earnings, generated by the enterprise operation rather than closing this out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services.

Equalized Valuations (EQVs) – An estimate of the full and fair cash value (FFCV) of all property in the state as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and in determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL c. 58 § 10C, is charged with the responsibility of biennially determining an equalized valuation for each city and town in the state.

Excess and Deficiency (E&D) – Also called the "surplus revenue" account, this is the amount by which cash, accounts receivable, and other assets exceed a regional school district's liabilities and reserves as certified by the Director of Accounts. The calculation is based on a year-end balance sheet submitted to DLS by the district's auditor, accountant, or comptroller. E&D is not available for appropriation until certified by the Director of Accounts.

Excess Levy Capacity – The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year. Annually, the select board or city council must be informed of excess levy capacity and their acknowledgment must be submitted to DLS when setting the tax rate.

Exemption – A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

Exemption Date – Real estate tax exemption status is determined as of July 1. All qualifying factors must be met as of that date.

Expenditure – An outlay of money made by a municipality to provide the programs and services within its approved budget.

Federal Aid Anticipation Note (FAAN) – Short-term debt instrument used to generate cash with the expectation that the debt will be paid from anticipated federal aid. As with a note, FAANs are typically issued for a term of less than one year and are full faith and credit obligations.

Fiduciary Funds – Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Field Review Audit – A review of assessment valuation methods and support documentation by the BLA performed as a prerequisite to a five-year certification of property values.

Finance Control Board – A board created by special legislation and comprised of state officials to oversee the financial management of a community, which may have received deficit borrowing authorization or state loans to finance operating deficits.

Financial Advisor – An individual or institution that assists municipalities in the issuance of tax exempt bonds and notes. The public finance department of a commercial bank or a non-bank advisor usually provides this service.

Financial Disclosure Law – MGL c. 268B requires certain individuals, officials and candidates for elected office to file statements of financial interests with the State Ethics Commission.

Financial Statement – A presentation of the assets and liabilities of a community as of a particular date, most often after the close of the fiscal year.

Fiscal Year (FY) – Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. Since 1976, the federal government fiscal year has begun on October 1 and ended September 30. In each case, the designation of the fiscal year is that of the calendar year in which the fiscal year ends.

Fixed Assets – Long-lived, tangible assets, such as buildings, equipment and land, obtained or controlled as a result of past transactions or circumstances.

Fixed Costs – Costs legally or contractually mandated, such as retirement, FICA/Social Security, insurance, debt service, or interest on loans.

Foundation Budget – The spending target imposed by DESE for each school district as the level necessary to provide an adequate education for all students.

Free Cash – Remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash.

The calculation of free cash is based on the June 30 balance sheet, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Director of Accounts. (See Available Funds)

Full and Fair Cash Value – The Massachusetts Supreme Judicial Court defines fair cash value as the "fair market value, which is the price an owner willing but not under compulsion to sell ought to receive from one willing but not under compulsion to buy. It means the highest price that a normal purchaser not under peculiar compulsion will pay at the time, and cannot exceed the sum that the owner after reasonable effort could obtain for his property. A valuation limited to what the property is worth to the purchaser is not market value. The fair cash value is the value the property would have on January 1 of any taxable year in the hands of any owner, including the present owner." (Boston Gas Co. v. Assessors of Boston, 334 Mass. 549, 566 (1956))

Full Faith and Credit Obligations – A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full-faith-and-credit bonds.

Full Measure and List – An inspection program completed by assessors to maintain up-to-date property records. Properties are literally measured and relisted in the assessors' records with any changes in condition since the last inspection. Also referred to as a cyclical inspection program, BLA recommends a full measure and list be completed once in every nine-year cycle.

Fund – An accounting entity with a self-balancing set of accounts that is segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. Within a fund, financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently. Examples of funds include the general fund and enterprise funds.

Fund Accounting – Organizing the financial records of a municipality into multiple, segregated locations for money. Communities whose accounts are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

Fund Balance – The difference between assets and liabilities reported in a governmental fund. Also known as fund equity.

General Fund – The fund used to account for most financial resources and activities governed by the normal town meeting or city council appropriation process.

General Fund Subsidy – Most often used in the context of enterprise funds. When the revenue generated by rates or user fees is insufficient to cover the cost to provide a particular service, general fund money is used to close the gap in the form of a subsidy. The subsidy may or may not be recovered by the general fund in subsequent years.

General Ledger (GL) – The accountant's record of original entry, a general ledger is a set of numbered accounts used to track financial transactions and prepare financial reports. Each account is a distinct record summarizing each type of asset, liability, equity, revenue and expense. A chart of accounts lists all the accounts in the general ledger.

General Obligation Bonds – Bonds issued by a municipality that are backed by the full faith and credit of its taxing authority.

Government Finance Officers Association (GFOA) – A nationwide association of public finance professionals.

Governmental Accounting Standards Board (GASB) – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Governmental External Investment Pool – An arrangement that commingles money of multiple, legally separate entities and invests in an investment portfolio on the participants' behalf. A pool can be sponsored by an individual government, jointly by multiple governments, or by a nongovernmental entity. An example is the Massachusetts Municipal Depository Trust.

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: general, special revenue, capital project, debt service, and permanent.

Grant Anticipation Notes (GAN) – Short-term, interest-bearing notes issued by a government to raise capital to be repaid by grant proceeds anticipated at a later date. GANs allow the recipient of the grant to begin carrying out the purpose of the grant immediately.

Home Rule – Refers to the power of municipalities to regulate their affairs by bylaws/ordinances or home rule charters subject to certain limitations.

Home Rule Charter – An alternative, under MGL c. 43B, to create a charter commission by which cities and towns may create, adopt, revise and amend local charters.

Income Approach – A method of estimating property value by converting anticipated net rental revenue generated by the property into an indication of market value. Used primarily to value commercial/industrial properties and apartment buildings, which are normally bought and sold on the basis of their income producing capabilities.

Indirect Cost – Costs of a service not reflected in the operating budget of the entity providing the service. The matter of indirect costs arises most often in the context of enterprise funds. An example of an indirect cost of providing water service would be the value of time spent by non-water-department employees who process water bills. A determination of these costs is necessary to analyze the total cost of service delivery.

Informational Guideline Release (IGR) – Provided on the DLS website, IGRs are DLS publications that outline a policy or administrative procedure or that provide a law update related to municipal finance.

Inside Debt – Municipal debt incurred for purposes enumerated in MGL c. 44, § 7 and within the community's debt limit, which is an amount no higher than five percent of the community's equalized valuation. Because this type of borrowing is below the debt limit, it is referred to as inside debt. (See Outside Debt)

Interest – Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis but are paid every six months.

Interest Rate – The interest payable, expressed as a percentage of the principal available, for use during a specified period of time. It is always expressed in annual terms.

Interim-year Valuation Adjustment – State law requires that local assessed values reflect market value every year. Every five years, BLA reviews and certifies that an individual community's assessed values meet this standard. In between these five-year revaluations, a community must complete an annual analysis to determine whether an interim-year value adjustment is warranted and report the results to BLA. Depending on market conditions and property value trends, adjustments may increase or decrease values or leave them unchanged.

Internal Service Fund – A municipal accounting fund used to accumulate the cost of central services, such as data processing, printing, postage, and motor pool. Costs or charges to an internal service fund are then allocated to other departments or funds within the governmental unit.

Investments – Securities and real estate held for the production of income in the form of interest, dividends, rentals, or lease payments. The term does not include fixed assets used in governmental operations.

Joint Labor Management Committee (JLMC) – The JLMC's purpose is to mediate police officer or fire fighter collective bargaining disputes with municipalities when negotiations reach impasses.

The JLMC only enters a collective bargaining process when petitioned to do so by either party or by both parties acing jointly.

Land Court – Established in 1898, the Land Court has the exclusive jurisdiction to foreclose rights of redemption on a property in tax title.

Land of Low Value (MGL c. 60 § 79) – After 90 days from the date of a tax taking, the treasurer may work with the assessors to pursue a land of low value foreclosure through DLS, an alternative foreclosure procedure to seeking a Land Court decree. Annually, DLS publishes the maximum valuation of parcels qualifying for the land of low value foreclosure procedure.

Land Schedule – Typically developed by assessors and revaluation consultants, this is a table used to arrive at consistent assessed values for land within defined neighborhoods.

Legal Opinion (re: debt issuance) – An opinion by an attorney or law firm that bonds have been legally issued by a public body, and, usually, that the bonds are exempt from federal income taxes and some Massachusetts taxes under existing laws, regulations, and rulings.

Levy – The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is reestablished every year in accordance with Proposition 2½ provisions.

Levy Ceiling – A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL c. 59 § 21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, debt exclusion, or special exclusion.

Levy Limit – A levy limit is one of two types of levy (tax) restrictions imposed by MGL c. 59 § 21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.

Lien – A legal claim against real or personal property to protect the interest of a party (e.g., a city or town) to whom a debt is owed (e.g., taxes). In the case of real property, the lien in favor of a municipality automatically arises each January 1, but it must be secured through other action.

Lien Date – The date a lien arises on real property to protect the municipality's right to payment of taxes. Property tax liens arise by law on the January 1 assessment date. The lien is secured when the collector makes a tax taking and places the property in tax title. Unless the lien is secured, it expires if five years elapse from the January 1 assessment date and the property is transferred in the meantime.

Line-item Budget – A budget that stratifies spending into categories of greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Line-item Transfer – The reallocation of a budget appropriation between two line items within an expenditure category (e.g., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money where a need arises for a similar purpose without altering the bottom line. Whether or not line-item transfers are permitted depends on how the budget is presented (i.e., its format) and what level of budget detail town meeting approves.

Local Aid – Revenue allocated by the state to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the Cherry Sheets. Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

Local Receipts – Locally generated revenues other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges.

Long-term Debt – Community borrowing, or outstanding balance at any given time, involving loans with a maturity date of 12 months or more. (See Permanent Debt)

Massachusetts Certified Public Purchasing Official (MCPPO) – A certification and designation program for public officials responsible for municipal procurements in Massachusetts. (See Uniform Procurement Act)

Massachusetts Municipal Depository Trust (MMDT) – An investment program, founded in 1977 under the supervision of the State Treasurer, in which municipalities may pool excess cash for investment.

Massachusetts School Building Authority (MSBA) – Administers the state program that reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the community's or district's wealth and the category of reimbursement.

Material Weakness – An audit term for a significant deficiency in a community's internal financial controls. It is a reportable condition (internal control weakness) of such magnitude as to potentially result in material misstatements of financial condition.

Maturity Date – The date that the principal of a bond becomes due and payable in full.

MGL – Massachusetts General Laws

Minimum Required Local Contribution – The minimum that a city or town must appropriate from property taxes and other local revenues for the support of schools (Education Reform Act of 1993).

Minimum Residential Factor (MRF) – Massachusetts' law allows for a shift of the tax burden from the residential and open space classes of property to the commercial, industrial and personal property classes (CIP). The MRF, established by the Commissioner of Revenue, is used to make certain the tax burden shift complies with the law. If the MRF would be less than .65, the community cannot make the maximum shift and must use a CIP factor less than 1.50 percent. Under specified conditions, some communities may use a CIP factor of up to 1.75 percent.

Motor Vehicle Excise – A locally imposed annual tax assessed to owners of motor vehicles registered to addresses within the community (MGL c. 60A). The excise tax rate is set by statute at $25.00 per $1,000 of vehicle value.

Multiple Regression – A technique for valuing real property that uses an equation generated through sales analysis to estimate the value of unsold properties.

Municipal(s) (As used in the bond trade) - "Municipal" refers to any state or subordinate governmental unit. Municipals (i.e., municipal bonds) include not only the bonds of all political subdivisions, such as cities, towns, school districts, and special districts but also bonds of the state and agencies of the state.

Municipal Bond Insurance – An insurance policy that guarantees the interest and principal on a bond issue will be paid as scheduled. The municipal bond insurer will pay the debt whether or not the default was caused by an economic crisis or a natural disaster.

Municipal Charges Lien – For delinquent water (MGL c. 40 §§ 42A-F), sewer (MGL c. 83 §§ 16A-F), and trash (MGL c. 44 § 28C(f)) charges, a community may lien these amounts on the property tax, provided the enabling legislation is accepted and a certificate of acceptance is on file at the Registry of Deeds. For other unpaid local charges and fees, a community may adopt MGL c. 40 § 58 separately for each purpose in order to lien each upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

Municipal Finance Oversight Board – This board (consisting of the attorney general, state treasurer, state auditor, and director of accounts) approves use of qualified bonds and certain other municipal borrowings and other actions.

Municipal Revenue Growth Factor (MRGF) – An estimate of the percentage change in a municipality's revenue growth for a fiscal year. It represents the combined percentage increase in the following revenue components: automatic 2½ percent increase in the levy limit, estimated new growth, change in selected unrestricted state aid categories, and the change in selected unrestricted local receipts (Education Reform Act of 1993).

Net School Spending (NSS) – School budget and municipal budget amounts attributable to education, excluding long-term debt service, student transportation, school lunches, and certain other specified school expenditures. A community's NSS funding must equal or exceed the NSS Requirement established annually by the Department of Elementary and Secondary Education (Education Reform Act of 1993).

New Growth – The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or revaluations.

Nonrecurring Revenue Source – A one-time source of money available to a city or town. By its nature, a nonrecurring revenue source cannot be relied upon in future years, and therefore, such funds should not be used for operating or other expenses that continue from year to year.

Note – A short-term loan, typically with a maturity date of a year or less.

Official Statement – A document prepared for potential investors containing information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale and sometimes called an offering circular or prospectus.

Offset Receipts – A local option that allows a particular department's estimated receipts to be earmarked for the department's use and appropriated to offset its annual operating budget. If accepted, MGL c. 44 § 53E limits the amount of offset receipts appropriated to no more than the actual receipts collected for the prior fiscal year. The Director of Accounts must approve any use of a higher amount before appropriation. Actual collections that are greater than the amount appropriated close to the general fund at year-end. If actual collections are less, the deficit must be raised in the next year's tax rate.

OPEB (Other Postemployment Benefits) – Many public employees earn benefits over their years of service that they do not receive until after their government employment ends. While pensions are the most common of these, other postemployment benefits generally include combinations of health, dental, vision, and life insurances. These are provided to eligible retirees and sometime to their beneficiaries, and as a group, are referred to as OPEB.

Operating Budget – The plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

Other Amounts to be Raised (as detailed on the Tax Recap) – Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures (e.g., overlay, teacher pay deferrals, deficits), as well as state, county, and other special district charges. Because they must be funded in the annual budget, special consideration should be given to them when finalizing budget recommendations to the city council or town meeting.

Outside Debt – Municipal borrowing for purposes enumerated in MGL c. 44, § 8. Since this debt is not measured against a community's debt limit per c. 10, the borrowing is outside the debt limit and therefore referred to as outside debt. (See Inside Debt)

Overlapping Debt – A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

Overlay (Overlay Reserve, or Allowance for Abatements and Exemptions) – An account that funds anticipated property tax abatements, exemptions, and uncollected taxes. Additions to the overlay reserve need not be funded by the normal appropriation process but instead raised on the tax rate recapitulation sheet.

Overlay Deficit – A deficit that occurs when the abatements and statutory exemptions charged to the overlay during a fiscal year exceed the account balance. Overlay deficits must be provided for in the next fiscal year.

Overlay Surplus – Any balance in the overlay account in excess of the amount remaining to be collected or abated can be transferred to this account. Within 10 days of a written request by the community's chief executive officer, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is closed to surplus revenue; in other words, it becomes a part of free cash.

Override – A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

Override Capacity – The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

Payment in Lieu of Taxes (PILOT) – An agreement between a municipality and an entity not subject to taxation, such as a charitable or educational organization, whereby the organization agrees to make a voluntary payment to the municipality. By law, a city or town must make such a payment to any other community in which it owns land used for public purposes.

Pension (or other employee benefit) Trust Funds – A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit (OPEB) plans, or other employee benefit plans.

Pension Cost – A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

Pension Plan – An arrangement for the provision of pension benefits to employees upon their retirements. All assets accumulated are used to pay benefits (including refunds of member contributions) to plan members or beneficiaries, as defined by the plan's terms.

PERAC (Public Employee Retirement Administration) - Oversees and directs the state retirement system and administers benefits for members.

Permanent Debt – Borrowing by a community typically involving a debt service amortization period of greater than one year. (See Long-term Debt)

Permanent Funds – A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (that is, for the benefit of the government for its citizenry). An example is a cemetery perpetual care fund.

Personal Property – Movable items not permanently affixed to, or part of, the real estate. It is assessed separately from real estate to certain businesses, public utilities, and owners of homes that are not their primary residences.

Preliminary Tax – The tax bill for the first two quarters of the fiscal year, sent by communities on quarterly tax billing cycles or on annual preliminary billing systems. The tax bill is sent by July 1 and can generally be no greater than 50% of the amount due in the previous fiscal year.

Principal – The face amount of a bond, exclusive of accrued interest.

Private-purpose Trust Funds – A fiduciary trust fund type used to report all trust arrangements (other than those properly reported in pension trust funds or investment trust funds), under which the principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

Pro Forma Recap Sheet – The Tax Recap sheet that communities on semiannual tax billing cycles submit to DLS when seeking to send optional preliminary tax bills for the first half of the fiscal year. This is done either because a community is in a recertification year or has a valuation-related delay in setting the tax rate.

Proposition 2½ – A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations.

Purchase Order – An official document or form authorizing the purchase of products and services.

Qualified Bond – A program unique to Massachusetts for municipalities with marginal credit ratings, in which the State Treasurer pays the debt service directly from a community's local aid, thereby reinforcing the security of the bond and improving its marketability. The Municipal Finance Oversight Board authorizes issuance of these bonds under c. 44A.

Five-year Certification – The Commissioner of Revenue, through BLA, is required to review local assessed values every five years to certify that they represent full and fair cash value. Refer to MGL c. 40 § 56 and c. 59 § 2A(c).

Raise and Appropriate – A phrase used to identify an expenditure's funding source as money generated by the tax levy or other local receipt.

Real Property – Land, buildings, and the rights and benefits inherent in owning them.

Receipts Reserved for Appropriation – Proceeds earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, ambulance charges may be appropriated to offset expenses in providing ambulance services.

Receivables – An expectation of payment of an amount certain accruing to the benefit of a city or town.

Reconciliation of Cash – The process whereby the accountant and treasurer compare records to confirm available cash in community accounts.

Reconciliation of Receivables – The process whereby the accountant and collector compare records to confirm the amount of outstanding taxes.

Records Disposition Schedule – Published by the Secretary of State's Records Management Division and pursuant to MGL c. 66, these guidelines on municipal records inform local officials as to how long and in what form records must be maintained and identifies those that may be lawfully disposed.

Recurring Revenue Source – A source of money used to support municipal expenditures, which by its nature can be relied on, at some level, in future years. (See Nonrecurring Revenue Source)

Refunding of Debt – Transaction whereby one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer. (See Current and Advance Refunding of Debt)

Requisition – Form used by the requesting department when ordering products and services from external vendors. This document generates a purchase order.

Reserve Fund – An amount (not to exceed 5 percent of the tax levy for the preceding year) set aside annually within a community's budget to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for "extraordinary or unforeseen" expenditures. Other uses of the fund require budgetary transfers by town meeting. In a city, transfers from this fund may be voted by the city council upon recommendation of the mayor.

Residential Exemption – A municipality can grant a residential exemption of a dollar amount that cannot exceed 35 percent of the average assessed value of all residential class properties. The exemption reduces, by the adopted percentage, the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting the exemption raises the residential tax rate and shifts the residential tax burden from moderately valued homes to apartments, summer homes, and higher valued homes.

Residential Factor – Adopted by a community annually, this governs the percentage of the tax levy to be paid by property owners. A residential factor of "1" will result in the taxation of all property at the same rate (single tax rate). Choosing a factor of less than one results in increasing the share of the levy raised by commercial, industrial and personal property. Residential property owners will thereby pay a proportionately lower share of the total levy. (See Minimum Residential Factor)

Retained Earnings – An equity account reflecting the accumulated earnings of an enterprise fund, which may be used to fund capital improvements, reimburse the general fund for prior-year subsidies, reduce user charges, or provide for enterprise revenue deficits (operating losses).

Revaluation – The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of that program depends on the assessors' analyses and consideration of many factors, including, but not limited to, the status of the existing valuation system, results of an in-depth sales ratio study, and accuracy of existing property record information. Every five years, assessors must submit property values to DLS for certification. Assessors must also maintain fair cash values in the years between certifications so that each taxpayer in the community pays his or her share of the cost of local government in proportion to the value of property they own. (See five-year Certification)

Revenue Anticipation Borrowing – Cities, towns, and districts may issue temporary notes in anticipation of taxes (TANs) or other revenue (RANs). The amount of this type of borrowing is limited to the total of the prior year's tax levy, the net amount collected in motor vehicle and trailer excise in the prior year, and payments made by the state in lieu of taxes in the prior year. According to MGL c. 44 § 4, cities, towns, and districts may borrow for up to one year in anticipation of such revenue.

Revenue Anticipation Note (RAN) – A short-term loan issued to be paid off by revenues, such as tax collections and state aid. RANs are full faith and credit obligations. (See Tax Anticipation Notes, Bond Anticipation Notes)

Revenue Bond – A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

Revenue Deficit – The amount by which actual revenues at year-end fall short of projected revenues and appropriation turnbacks and are insufficient to fund the amount appropriated. Unless otherwise funded, a revenue deficit must be raised in the following year's tax rate.

Revolving Fund – A fund that allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

Rollback Taxes – Back taxes that become due when land valued, assessed and taxed under MGL c. 61, 61A or 61B no longer qualifies as actively devoted to the purposes specified in each chapter.

Sale of Cemetery Lots Fund – A fund established to account for proceeds of the sale of cemetery lots. The proceeds may only be appropriated to pay for the cost of the land, its care and improvement or the enlargement of the cemetery under provisions of MGL c. 114 § 15.

Sale of Real Estate Fund – A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure. MGL c. 44 § 63 states that such proceeds shall be applied first to the retirement of debt on the property sold. In the absence of such debt, funds may generally be used for purposes for which the city or town is authorized to borrow for a period of five years or more.

Sales Comparison Approach – A method of estimating the value of property by comparing verified data about similar properties that have recently sold or are offered for sale on the open market and adjusting for differences from the subject, or unsold, property.

Schedule A – A statement of revenues, expenditures, and other financing sources, uses, changes in fund balance, and certain balance sheet account information prepared annually by the accountant or auditor at the end of the fiscal year. This report is based on the fund account numbers and classifications contained in the UMAS manual.

Short-term Debt – The outstanding balance, at any given time, on amounts borrowed with maturity dates of 12 months or less. (See Note)

Single Audit Act – For any community that expends $750,000 or more per year in federal grant awards, the Single Audit Act establishes audit guidelines that reduce to only one the number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

Small Commercial Exemption – A property tax classification option that allows a community to exempt up to 10 percent of the value of a Class Three, commercial parcel. The parcel must be occupied by a small business and have an assessed valuation of less than $1 million. In effect, the option shifts the tax burden from parcels occupied by small businesses to those occupied by other commercial and industrial taxpayers. Eligible small businesses have an average annual employment of no more than 10 people.

Special Assessment – (See Betterments)

Special Assessment Exemption – Full discharge from the payment of betterments and special exemptions, granted only to government properties occupied for public purposes.

Special Exclusion – For a few limited capital purposes, a community may exceed its levy limit or levy ceiling without voter approval. Presently, there are two special expenditure exclusions: 1) water and sewer project debt service costs that reduce the water and sewer rates by the same amount; and 2) a program to assist homeowners to repair or replace faulty septic systems, remove underground fuel storage tanks, or remove dangerous levels of lead paint to meet public health and safety code requirements. In the second special exclusion, homeowners repay the municipality for the cost plus interest apportioned over a period of time, not to exceed 20 years (similar to betterments).

Special Revenue Fund – Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

Stabilization Fund – A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL c. 40 § 5B). Communities may establish one or more stabilization funds for different purposes and may appropriate any amounts into them. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money from a stabilization fund. A majority vote of town meeting or city council is required to appropriate money into a stabilization fund.

State Aid Anticipation Note (SAAN) – A short-term loan issued in anticipation of a state grant or aid (MGL c. 44 § 6A).

State Ethics Commission – This state agency was established to foster integrity in government and promote public trust. The Commission enforces a code of ethics and the Financial Disclosure Law.

State House Notes – Debt instruments for cities, towns, counties, and districts certified by the Director of Accounts. Payable annually, they are usually limited to maturities of five years and principal amounts of $2,250,000. The notes are particularly attractive to smaller communities because certification fees are low, they require neither full disclosure nor official statements, and they are issued in a short period of time.

State Receivership – (See Finance Control Board)

Supplemental Tax Assessments on New Construction (MGL c. 59 § 2D) – A community may make pro rata assessments on the value of improvements that are greater than 50 percent of the billed value, excluding the land value, when an occupancy permit is issued after January 1 (MGL c. 59 § 2D). This provision allows a community to issue a bill (back to the date of occupancy between January 1 - June 30) for the current fiscal year on qualifying property improvements, resulting in additional general revenue. These improvements would be included in the subsequent year's new growth calculation.

Surety Bond – A performance bond that protects a municipality against financial loss arising from a breach of public trust by an employee who collects money on its behalf.

Surplus Revenue – The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Tailings – Unclaimed municipal funds in the custody of a municipality, which are retained in a repository (referred to as a tailings account) until eventual disposition (MGL c. 200A). Tailings include unclaimed tax refunds, uncashed payroll checks, vendor payments yet to clear, etc.

Tax Anticipation Notes (TAN) – A short-term note issued to provide cash to cover operating expenses in anticipation of tax proceeds.

Tax Increment Financing Exemption (TIF) – In accordance with MGL c. 59 § 5(51), a property tax exemption negotiated between a community and a private developer, typically implemented over a period up to 20 years, and intended to encourage industrial/commercial development.

Tax Maps – Used to determine the location of properties, indicate the size and shape of each parcel, and show their relation to features that affect value. Maps also provide a complete inventory of all land parcels, helping to minimize the problems of omitted parcels and duplication of listing. Also referred to as assessors' maps.

Tax Possession – Once a tax title has been foreclosed in Land Court, the treasurer records the decree at the Registry of Deeds as a municipally owned property, which thus becomes a tax possession. For a property issued a Land of Low Value affidavit by DLS, the municipality must hold an auction prior to it becoming a tax possession.

Tax Rate – The amount of property tax stated in terms of a unit of the municipal tax base; for example, $14.80 per $1,000 of assessed valuation of taxable real and personal property.

Tax Rate Recapitulation Sheet (the Tax Recap) – The document a city or town submits to DLS to set a property tax rate, the recap shows all estimated revenues and actual appropriations that affect the property tax rate. It should be submitted to DLS by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (to issue actual tax bills on or before December 31 in a quarterly community or a semiannual community issuing annual preliminary tax bills).

Tax Title (or Tax Taking) – A collection procedure that secures a municipality's lien on real property and protects its right to payment of overdue property taxes. Without a taking, the lien expires if five years elapse from the January 1 assessment date and the property has been transferred to another owner.

Tax Title Foreclosure – The procedure initiated by a city or town treasurer in Land Court, or through the land of low value process, to obtain legal title to real property already in tax title and on which property taxes are overdue. The treasurer must wait at least six months from the date of a tax taking to initiate Land Court foreclosure proceedings (MGL c. 60 § 65).

Tax Title Redemption – The payment by a property owner of all overdue taxes, fees, charges, other costs, and interest on real property that the municipality had placed in tax title. The taxpayer's right to redeem terminates when the treasurer receives a Land Court decree or land of low value affidavit, records the affidavit, and holds an auction.

Temporary Debt – Borrowing by a community in the form of notes and for a term of one year or less. (See Short-term Debt)

Trust Fund – In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds, or by town meeting. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

Turnover Sheet – A form completed by municipal departments that accompanies the physical transfer of departmental revenues (or bank deposit slips reflecting revenues) to the treasurer.

Uncollected Funds – Recently deposited checks that are included in an account's balance but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. These funds may not be loaned or used as part of the bank's reserves, and they are not available for disbursement.

Underride – A vote by a community to permanently decrease the tax levy limit. It is the exact opposite of an override.

Undesignated Fund Balance – Monies in the various government funds as of June 30 that are neither encumbered nor reserved and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance)

Unfunded OPEB Liability – This is the difference between the value assigned to the benefits (other than retirement) already earned by a municipality's employees and the assets the local government will have on hand to meet these obligations. (See OPEB)

Unfunded Pension Liability – This is the difference between the value assigned to the retirement benefits already earned by a municipality's employees and the assets the local retirement system will have on hand to meet these obligations. The dollar value of the unfunded pension liability is redetermined every three years and driven by assumptions about the interest rates at which a retirement system's assets will grow and the rate of the pensioners' future costs of living increases. (See Pension Plan)

Uniform Municipal Accounting System (UMAS) – UMAS succeeded the statutory accounting system (STAT) and is regarded as the professional standard for municipal accounting in Massachusetts. As a uniform system for local governments, it conforms to Generally Accepted Accounting Principles (GAAP), offers increased consistency in reporting and recordkeeping, and enhances the comparability of data among cities and towns.

Uniform Procurement Act – MGL c. 30B establishes uniform procedures for local government to use when contracting for supplies, equipment, services, and real estate.

Unreserved Fund Balance (Surplus Revenue Account) – The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

Valuation – The legal requirement that a community's assessed value on property must reflect its market, or full and fair, cash value.

Warrant – An authorization for an action. For example, a town meeting warrant establishes the matters that may be acted on by that town meeting. A treasury warrant authorizes the treasurer to pay specific bills. The assessors' warrant authorizes the tax collector to collect taxes in the amounts and from the persons listed.

Water Surplus – For water departments operating under MGL c. 41 § 69B, any unspent water appropriations or revenues in excess of estimated water receipts close out to a water surplus account. Water surplus may be appropriated to fund water-related general and capital expenses or to reduce water rates.

Waterways Improvement Fund – An account into which 50 percent of the receipts from boat excises and mooring fees imposed under MGL c. 91 § 10A are deposited. Appropriation of these proceeds is limited to certain waterway expenses outlined in MGL c. 40 § 5G.

Certification Standards

(Guidelines for Development of a Minimum Reassessment Program)
Revised April 2019

Bureau of Local Assessment

Informational Guideline Release 19-08

DLS
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MA DEPARTMENT OF REVENUE

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

Informational Guideline Release

Bureau of Local Assessment
Informational Guideline Release (IGR) No. 19-08
April 2019

Supersedes IGR 17-01
and
Any Prior Written Inconsistent Statements

CERTIFICATION STANDARDS
GUIDELINES FOR DEVELOPMENT OF A MINIMUM REASSSESSMENT PROGRAM

(G.L. c. 40, § 56; c. 58, §§ 1, 1A and 3; c. 59, §§ 2A and 38)

This Informational Guideline Release (IGR) provides guidance to local assessors on the minimum standards of assessment performance their proposed property valuations must meet for the Commissioner of Revenue to certify they are assessing at full and fair cash valuation.

Questions should be directed to the Bureau of Local Assessment.

Topical Index Key:

Assessment Administration
Valuation

Distribution:

Assessors

Informational Guideline Release (IGR) No. 19-08
April 2019

Supersedes IGR 17-01
and
Any Prior Written Inconsistent Statements

CERTIFICATION STANDARDS
GUIDELINES FOR DEVELOPMENT OF A MINIMUM REASSSESSMENT PROGRAM

(G.L. c. 40, § 56; c. 58, §§ 1, 1A and 3; c. 59, §§ 2A and 38)

These guidelines provide guidance to local assessors on the requirements and policies that they must follow for the Commissioner of Revenue to certify they are assessing at full and fair cash valuation under Massachusetts General Laws. c. 40, § 56 and c. 59, §§ 2A and 38.

The guidelines prescribe minimum standards of assessment performance that proposed property valuations must meet and set forth the policies that apply to the Commissioner's review of proposed valuations for certification purposes. G.L. c. 58, §§ 1, 1A and 3.

These standards and policies are effective beginning with certification of assessed valuations as of January 1, 2019 for fiscal year 2020. They supersede those found in Informational Guideline Release (IGR) 17-01, *Certification Standards* (April 2017) and any prior written inconsistent publications or statements.

BUREAU OF LOCAL ASSESSMENT JOANNE GRAZIANO, CHIEF

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SIGNIFICANT CHANGES FOR FY 2020

The following are changes incorporated in these standards. They are effective beginning with assessments as of January 1, 2019 for fiscal year 2020.

- Additional guidance and Income and Expense templates and forms are linked on DLS website. See page 8.
- Statistical Analyses including Price Quartiles/Halves are to also meet for Interim Year Review. See page 10.
- As of FY 2019, BLA valued State Owned Land is using a statutory formula based on each community's base valuation and updated every two years, beginning in FY2020, using the community's (EQV) equalized valuation. See page 16.
- Recommended Report Specifications for Certification Review Documentation updated 2019. See RP1-RP14.

Changes to the Certification Check List: See CF-7

- Verify Loc ID field export is on LA3 Sale Report.
- Reimbursable State Owed Land property record cards *no longer required* to be submitted.
- Signed Utility Letter by Board of Assessors for NBV *no longer required.*
- Visit History or Last Inspected Report format added. See RP 13-14

SIGNIFICANT CHANGES FOR FY 2021

The following are significant changes incorporated in these standards. They are effective beginning with assessments as of January 1, 2020 for fiscal year 2021.

- For Utility Valuation (Property Use code 504): During your certification year, we expect substantiation of your valuation position.

INTRODUCTION

These materials have been prepared by the Bureau of Local Assessment (BLA) to assist assessors to plan and carry out the reassessment program necessary to achieve full and fair cash value in accordance with the requirements of G.L. c. 40, § 56 and c. 58, §§1, 1A and 3. These Certification Standards (*The Guidelines for Development of a Minimum Reassessment Program*) specify technical, procedural, administrative practices and assessing expectations.

An assessment is the value placed upon all real and personal property for the purpose of local property taxation. An analysis of market conditions along with the assessment level and uniformity must be performed annually as of January 1 whether for the five-year certification or for an interim year adjustment.

The five-year certification review is conducted by BLA staff to ensure the proposed values were derived utilizing a methodology based on generally accepted mass appraisal practices, are supported with current market evidence and are uniformly and equitably applied to all property. The data quality, all cost and depreciation tables, and land schedules will be reviewed for all real property. In addition, income producing property will be reviewed for income and expense analysis, development of the economic rent schedules, capitalization rates and correlation of the values derived from two appraisal approaches. Personal property accounts will be reviewed for appropriate listing and valuation of assets along with the cost and depreciation schedules.

The statistics must conform to the Commissioner's minimum standards for certification as established in these Guidelines and will be used for the purpose of measuring the level and uniformity of assessments before and after the revaluation. <u>Conforming statistics are not solely determinative that the proposed valuations are appropriately derived or applied.</u>

Statistical medians and CODs alone are not to be considered market evidence.

Assessors may be requested to provide additional documentation, to supplement the standardized reports, during the certification review as questions arise.

Questions pertaining to these Standards or program development may be addressed to the Bureau at bladata@dor.state.ma.us or call:

Boston	(617) 626-2300
Worcester	(508) 792-7300
Springfield	(413) 452-3800

Information is also available on the DOR web site at www.mass.gov/dls

PROPERTY ASSESSMENT CONTRACTS

Municipalities for various reasons may need to contract with an independent revaluation contractor to perform revaluations or other property assessment services.

All requests for consulting services must conform to G.L. c. 30B, the Uniform Procurement Act. For additional information, please refer to the "*Practical Guide to Drafting Effective Invitations for Bids and Requests for Proposals for Supplies and Services*" (April 2005) issued by the Massachusetts Office of the Inspector General.

http://www.mass.gov/ig/publications/guides-advisories-other-publications/online-guide-to-drafting-ifbs-rfps-for-supplies-services.html

A contract by a municipality for revaluation or other assessing services should contain the following topics: The agreement, scope of work to be completed, time and expected delivery of the completed materials, compensation, general requirements pertaining to performance bonds, time frame for submission of the proposals, rights reserved by the municipality etc.

All contracts should be reviewed and discussed with town/city counsel.

FIVE-YEAR CERTIFICATION REVIEW

The Bureau of Local Assessment certification process consists of, but is not limited to, a data quality review, a statistical ratio studies review, and a valuation review to ensure that proper appraisal methodology was utilized while uniformly and equitably applied to all property.

A revaluation program should be based on the mass appraisal process utilizing the components of an acceptable mass appraisal system. The mass appraisal system is comprised of the following: data management, valuation, performance analysis, administration and appeals.

After determining the scope of the reassessment program, the assessors must prepare a work plan for its accomplishment and submit it to the BLA, as explained in detail under the Minimum Program Components section.

The valuation system should have the capability to maintain data, readily update the values, and produce all reports necessary to meet the minimum standards for certification.

Minimum Program Components

Revaluation Workplan

BLA will require a Revaluation Workplan to be completed and submitted by the municipality on Gateway online prior to the start of the five-year revaluation. A carefully prepared and written workplan is a tool by which the assessors can define the specific tasks required, manage their staffing and financial resources and monitor the progress of the program, thereby ensuring the timely and satisfactory implementation of the new valuations.

When developing a workplan, the assessors must evaluate the capability, relevance, and cost effectiveness of the current assessment system, appropriate adequate funds to implement the program, and establish a realistic timetable allowing for the Bureau of Local Assessment's review and the public's notification of the proposed values.

The Revaluation Workplan should address the program components being utilized for each class of property, whether in-house and/or professional assistance is required to complete the project and the specific responsibilities of each participant.

The workplan should also include a work schedule with projected date of completion and the timeframe for obtaining adequate funding to complete the task. It is recommended that funding be appropriated two years in advance of the certification year.

See Bulletin 2014-02B on "*Realistic Planning for Certification and Tax Rate Setting*" (February 2014).

Basic workplan information shall be reported prior to the start of the revaluation program. The workplan should be completed in the "Revaluation Workplan" section of the "Certification Tab" in Gateway. Additionally, the workplan may be submitted by the appropriate field advisor on behalf of the assessors. (See Commonly Used Forms, page CF2)

If there are any prolonged certification delays or significant modifications to the workplan, the assessors shall submit a revised plan for review.

In addition, the BLA may request a copy of an appropriate valuation contract if necessary.

Data Collection Manual

A comprehensive data collection manual is essential to ensure that property data is collected and recorded in a consistent manner. The data collection manual should contain a set criteria used to identify building styles and story heights applied in the community. Any subjective data such as quality of construction (grade), condition, application of the depreciation and any applicable views should be clearly defined and illustrated in the data collection manual. This manual must be retained in the assessors' office and adhered to by all assessing and data collection personnel. A copy should be presented to the field advisor upon request or during the certification review process.

Real Property Data Collection

The collection and maintenance of current and accurate property inventory data is a critical element in the development of uniform and equitable market values.

The assessor should accurately measure to the nearest foot all improvements and prepare a complete outline sketch of the property noting all dimensions, story heights, additions, porches, and other attributes which contribute to value on the property record card (PRC) in accordance with the data collection manual.

The collection of property data can be the most costly part of the revaluation process. Unless such data is regularly maintained, a community will inevitably face the requirement of an expensive community-wide data recollection effort in order to provide uniform assessments and meet certification requirements.

There are a number of factors that must be considered in determining when a property inspection program meets certification requirements. These include, for example, the quality of the original data collection, the conversion to a new valuation system that may require different data components (data components not previously collected), the frequency of property renovation and remodeling in the community (which is often related to the frequency of property sales), and the presence of a systematic program to inspect all properties in addition to those that have sold or for which building permits have been issued.

The BLA requires that a periodic data inspection program provide for the inspection of each parcel at least once every **ten years.** An inspection of the property should be a full measure and listing of the exterior and a concerted effort demonstrated for interior inspections. All condo units must be included in the ten-year cyclical inspection program. It is recommended that this be an ongoing program to ensure that current accurate data be used in the valuation process and to spread out the data collection cost.

The BLA may require, for example, an inspection program be completed prior to its normal schedule if it is determined that the current data quality is insufficient or if the assessors are unable to determine when properties were last inspected.

For Condominium data collection and sketches:

- Assessor's criteria for condo data collection should be discussed in the data collection manual for the community.
- All complexes should have a master card in which to record all amenities, common area structures and sketches.

Individual Condo Units

- For garden style (apartment building conversions) and 2 or 3 family conversions, the individual unit property record card should list the unit SF and interior data components (SF would typically be from Master Deed)

Townhouse and Free Standing

While BLA recommends that the exterior measurements of **townhouse and free standing condo units** be utilized, the following will be **accepted as an alternative**:

- Square footage must be segmented into living area such as first and second floor, basement, attic and garage areas.
- The assessor will review the master deed and reconcile the square footage with the "as built" plans (not the developers unit lay out plans).
- Unit property record cards must contain all interior unit data, percentage of common interest and square footage as reflected in the master deed and/or "as built" plans.
- If the square footages used for valuations is different than that recorded in the master deed, the master deed square footage should also be noted on the PRC.

The assessors may choose to conduct a study at the onset of a revaluation of all real property to determine the quality of their data or should the Bureau of Local Assessment determine that a data quality study be conducted.

Refer to the Appendix, pages A1-A2, for a guide in conducting a data quality study, should one be necessary.

Digital Imaging Technology

Assessors may wish to consider employing digital imaging technology programs to **supplement not replace** the data collection activities in the field.

These programs allow assessors to perform computer assisted office review using orthophotography, oblique, and street level imagery.

Tax Maps

Every community requires adequate tax maps, which may include a geographic information system (GIS) conforming to the MassGIS parcel mapping standard, which can be found at http://www.mass.gov/anf/research-and-tech/it-serv-and-support/application-serv/office-of-geographic-information-massgis/standards/standard-parcels.html . The recommended map maintenance with Mass GIS Standard for Digital Parcels can be found on A-18. Without tax maps, assessors may not have a readily accessible, complete parcel inventory or detailed land area information, such as frontage and square foot area, for each parcel. As a result, they may be unable to precisely analyze market influences on the value of land, such as, size, shape and frontage, or develop a land valuation system based on these accurate measures of market value. Moreover, without accurate land information, existing appraisal systems cannot produce uniform assessments.

Assessors in communities that do not have adequate tax maps must include the development and implementation of a tax-mapping program as the initial component of their reassessment program.

Assessors in all communities must provide for the maintenance and updating of their tax maps as a component of their reassessment program.

Parcel Classification

Assessors shall classify all property as of January 1 according to its use. Assessors must refer to the *Property Type Classification Codes* booklet prepared by the BLA.

Property Record Cards

Property record cards (PRCs) shall be completed for all parcels indicating the name and mailing address of the property owner. PRCs should contain all information regarding improvements and land required by the appraisal system to produce equitable assessments along with the visit/inspection history, sale information and assessment history. Additionally, the PRC should contain a sketch and photograph or digital image.

Prior Certification Directives

The Bureau of Local Assessment certification directives **must** be reviewed for compliance when developing the revaluation program. Please note that failure to address prior directives could result in delays to your certification.

APPROACHES TO VALUE

As applicable, assessors shall consider the market, cost, and income approaches in the valuation of all vacant and improved parcels using the computer assisted mass appraisal system (CAMA) in place in the community.

The assessors must develop a program to collect and analyze three categories of data; general, specific and comparative to be used in all approaches to value. General data consists of neighborhood characteristics, trends and factors which affect value. Specific data consists of site, external influences and improvement information. Comparative data consists of cost, sales, and income and expense information.

To understand the current market conditions, the assessor should collect all sales data that has occurred in the community. Current asking prices, used as a guide in the determination of value, should be investigated and reviewed.

The validity of any sales analysis is dependent on the use of the arms-length sales. An arms-length, (market value) sale implies the consummation of a sale as of a specific date, the passing of a title from seller to buyer whereby certain conditions are upheld: the seller and buyer are typically motivated, well informed and acting in their own best interest; the property has been exposed to the open market for a reasonable amount of time; payment is made in terms of dollars; and the price represents the normal consideration for the sold property unaffected by special financing or sales concessions.

All sold properties should be an onsite inspection which will enable the assessors to validate the sale price, circumstances of the sale, verify existing property data and monitor property changes.

To obtain sales data and circumstances relevant to the sales, the assessors should send sales verification questionnaires to buyers and sellers to determine the type of transaction, financing arrangements and any special circumstances of the sale. Local real estate brokers and the Multiple Listing Services are also valuable sources for such information.

The assessors should obtain information necessary to determine the fair cash value of property by requesting that owners and/or lessees of such property make a written return in accordance with G.L. c. 59, § 38D (applicable to real property) and c. 59, § 38F (applicable to personal property). The returns can be used to request sale information, income and expense data, property descriptive information, cost, condition and age of personal property assets as well as annual reports filed with regulatory agencies or any other information required by the assessors to determine value.

Sales Comparison Approach (Market Approach)

The sales comparison approach is an interpretation of comparable sales data to arrive at an estimate of value for the subject property. Similarities and differences which affect market value including financing terms, market conditions, location, and physical characteristics of recently sold properties are analyzed and adjusted to estimate the market value of the subject property. The sales comparison approach is based on the principles of supply and demand (principle of change), contribution, and the principle of substitution. Adjustments to market conditions are based on the principle of change. Adjustments to individual items which affect value are based on the principle of contribution. The principle of substitution assumes that a prudent person will pay no more for a property than it would cost to purchase a comparable substitute property.

In developing the sales comparison approach the assessor should attempt to interpret and measure the actions of parties involved in the marketplace, including buyers, sellers and investors.

Cost Approach

Utilizing the cost approach, the value of a property can be estimated by totaling the land value and the depreciated value of any improvements. This approach is most reliable when used on newer structures and less reliable when applied to older properties. The cost approach may be the most reliable approach in dealing with specialty use properties.

The assessor shall value improvements in accordance with generally accepted mass appraisal practices, cost service manuals with applicable updates and or use of local building costs, where available. **All data must be documented and presented for certification.**

In using the cost approach, base costs shall be determined as appropriate for each improvement style or type. Current local modifiers and costs appearing in a generally accepted cost calculator can be adjusted where necessary and documented by an analysis of local construction costs and market sales data.

Accrued depreciation, including physical deterioration, functional and economic obsolescence must be accurately documented by market evidence prior to deduction from the replacement costs. Functional and economic obsolescence should be applied in accordance with generally accepted appraisal practices. These adjustments should be noted on the PRC, clearly defined and substantiation presented during certification.

In reference to commercial and industrial property, the CAMA system must utilize all cost components necessary to value the various uses within the community. This should include type and size of the structure(s), story height, paved areas, signage, lighting, etc.

Income Approach

The income approach is used primarily to value investment properties. Since this approach is intended to model the expectations and/or behaviors of a typical investor it is considered to be the most applicable valuation methodology for income producing properties.

For certification purposes, a second independent approach to value must be developed and applied to all properties bought and sold on investor' expectations. The two approaches to value should correlate within 15%.

In valuing income producing properties, the assessor must collect current community specific information from owners, tenants, realtors, financial institutions and any other sources for use in the valuation process. There are sample cover letters and income and expense forms located at the DOR website at https://www.mass.gov/service-details/property-assessment-and-valuation-publications in the Local Assessment section under Property Assessment and Valuation Publications.

If sufficient data cannot be obtained locally then data should be obtained from alternate sources of information such as regional information from similar neighboring municipalities, the internet or national/regional services. This data must be sufficient to develop verifiable schedules for all income producing property. Data to be analyzed shall include rental information, vacancy rates, and expense information.

The capitalization rate (cap rate) is the ratio between the net operating income and its capital cost (original price paid to buy the property) or current market value.

Proper cap rate development should represent market conditions such as financing terms, discount rates, recapture rates, yield requirements and local debt coverage ratios for the various uses within the community.

All data and analyses used in the determination of value should be documented and presented for certification.

STATISTICAL ANALYSES

Once the arms-length sales have been identified and verified, the assessors should undertake a statistical analysis to determine both the level and uniformity of existing assessments and to identify the source(s) of any existing inequities.

The total number of arms-length sales used in the analysis submitted on the LA3 Sales Report of all major use classes should be at least 2% of all parcels in that use class or 10 sales in the class, whichever number is greater. If insufficient sales exist to meet the applicable requirement in the base calendar year, twenty-four months of sales for that class must be analyzed and submitted to the BLA for review, time-adjusted as needed. A third year is not required. The major use classes referred to are listed on the next page. If a time-adjustment is performed an analysis must be presented for certification. The analysis of the various classes of property must use sales from the same time period when obtaining the required number of sales. Local home price index may be applied if available and applicable to the community. See pages A3– A7 in the Appendix for additional Time Trend Analysis information.

The effective date of the analysis is the January 1st prior to the fiscal year. For example, the assessment date for FY2020 is January 1, 2019, and the base year sales to be analyzed are those occurring in calendar year 2018 (January 1, 2018 through December 31, 2018).

Since the object of the valuation program is to estimate fair market value as of January 1st of a particular year, the ratio study used to evaluate that program should reflect market conditions as of that same January first. In the event that two years of sales are needed, the addition of the sales from the previous calendar year can also be used or assessors may supplement their calendar year analysis with sales that occurred, 6 months previous and 6 months after the calendar year. It should be noted that the calendar year sales along with any supplemental sales must meet all statistical requirements and that the same time period be used for all classes requiring additional sales.

The community-wide median assessment/sales ratio (ASR) and coefficient of dispersion (COD) about the median must be calculated first for the residential class of properties having the largest number of parcels. This is the predominant class. Then the ASR and COD for all other property classes should be calculated.

For certification and interim review purposes, the following chart describes the range in which the median ASR must fall and the maximum COD for all classes of property.

TYPE	CLASS CODE	MEDIAN ASR	MAX COD
Single Family	101	90-110%	10.0%
Condominiums	102	90-110%	10.0%
Two Family	104	90-110%	12.0%
Three Family	105	90-110%	12.0%
Multiple Dwellings	109	90-110%	15.0%
Apartments	111-112	90-110%	15.0%
Vacant Land	130-132	90-110%	20.0%
Commercial	300's	90-110%	20.0%
Industrial	400's	90-110%	20.0%
Mixed Use	013-031	90-110%	20.0%

The difference in the median ASR of the predominant class and the median ASR of any other class should be 5% or less, but may **not** go below 90% or above 110%.

If a sufficient number of sales exist for any property class, the assessors should stratify the sales into subgroups, for example, date quartile (irregular quartile statistics may indicate a time adjustment is necessary), neighborhood (e.g. location), sales price quartile, style, grade, age, etc. The median ASR and COD must be computed for each group. The median ASR of the subgroups must be within 5% of the property class median. The COD should be no higher than that indicated for the appropriate class in the preceding chart. These group statistics, if outside the parameters when compared with the overall median ASR and COD for each class of property, may indicate assessment inequities.

For each property use class having 40 or more sales in the analysis period, the median ASR for each price quartile should be computed. Arraying the selling prices from low to high, and dividing them into four groups having approximately equal numbers of sold properties establishes the price quartiles. The median for each price quartile should fall within a range of 5% of the median for the entire class. The date quartiles are established by arraying sale dates from the beginning to the end of the year and dividing them into four three-month groups. If two years of sales were used, Gateway divides them into four six-month groups.

For each class of property having at least 20 but less than 40 sales, array the sales as directed for price analysis. However, analyze them in two rather than four groups.

The Price –Related Differential (PRD) statistic may also assist the assessor with measuring assessment regressivity or progressivity. (see Appendix A-8)

For each condominium complex having 5 or more sales, the median ASR should be within 5% of that of the condominium class as a whole and the COD no higher than 10%.

As a best practice, any group or sub group with a sample size of less than five sales can be can be enlarged if the assessor desires to increase the reliability of statistical measures. Assessors can use sales that span a period of up to five years; however, adjusting the sale price for time may be necessary and significant property characteristics must not change. While these sales are not included on the submitted LA3, they can be used as support.

When market value indicators, other than vacant land sales, are used for the **development of land values** (i.e., residual or abstraction analyses), the analysis should also be done by neighborhood, lot size and zoning if applicable. It should be estimated from the analysis that typical sites in the neighborhoods indicate a range in value.

Individual vacant land sales should correlate with the neighborhood indicated land value derived from the residual analysis.

The LA3 Sales Report must be signed and submitted through the Division of Local Services interactive internet program, Gateway. Reference should also be made to the BLA publication *"Property Type Classification Codes*, Non-arm's Length Codes and Sales Report Spreadsheet Specifications" for information on sale coding and the spreadsheet report format.

LAND VALUATION

Neighborhoods for appraisal purposes must be delineated and analyzed by the prime lot indicated land value. A map depicting neighborhood delineations should be submitted at the start of the certification review. The map must clearly define all residential, commercial and industrial neighborhoods. The map shall be of adequate size employing distinct colors to enable the reader to identify the appraisal neighborhoods and street names.

It is also acceptable to present two separate maps one reflecting the residential neighborhoods and the other the commercial and industrial neighborhoods.

In addition to the vacant land sales analysis, an analysis using an alternative method should be conducted. See A-9 to A-14 for various methods. When estimating land values by the land residual method, the following contributory values must be considered: primary improvement (dwelling), accessory improvements (garage, pools, etc.), and site improvements (water and sewer).

All land factors and/or value adjustments must be supported by market evidence within the neighborhood in which they are being applied. One sale is not considered support for multiple adjustments. Please see the Appendix page A15, for matched pair examples

When analyzing sales to determine rear/excess acre values, the indicated prime lot value as demonstrated by the residual analysis and not the schedule value should be used. See A8 for indicated land value example. The excess acreage of any parcel must be of sufficient size to render a meaningful analysis. If the land schedule calls for a rear acre value adjustment by neighborhood, there must be market evidence to support this adjustment.

Additional land segmentation such as secondary lots, front foot and unbuildable land must use the above procedures and be supported by market data.

Land schedules for income producing properties (such as apartments, mixed use, commercial and industrial) should be supported with market evidence and model the expectations of typical investors.

The apartment land schedule, if a price per unit is utilized, should reflect neighborhood differences and/or the quality and desirability of the complex.

Mixed use land schedules should consider the primary use of the property in determining the appropriate land schedule.

Assessors must determine commercial and industrial land segments (e.g., prime site, secondary site, expansion, buffer and/or excess land) through set criteria.

Commercial and industrial land schedules should properly reflect the primary site as determined by land to building ratios considering local zoning requirements and property use which are defined and uniformly applied.

Land schedules must be supplied in Excel format. Please refer to the Commonly Used Forms section on **page CF1 for the land schedule format** and the Appendix, pages A9-A14 for valuation examples.

MULTIPLE REGRESSION ANALYSIS

To determine whether a certain Multiple Regression Analysis (MRA) model is the best predictor of a given group of sales, appropriate statistics and program outputs must be achieved in the modeling process. The following statistical standards should be represented in the overall model.

The Coefficient of Determination (R^2) equals the percentage of the variation in sales prices explained by the MRA model. An R^2 percentage equal to or above 90% is desirable.

Standard Error of the Estimate (SEE) provides an estimate of the variation (the amount of deviation between actual and estimated sale prices) that is likely to be observed when making estimates of value using a specific model. The SEE must be a positive number. A low number relative to the overall sale price is a better indicator of predictability.

Coefficient of Variation (COV) is the SEE expressed as a percentage. This statistic describes the standard of deviation of the regression as a percentage of the mean sales price. In general, residential models which have sale price as the dependent variable, a COV of approximately 20 % is acceptable, while a COV of approximately 10 % indicates a very good result. A COV is expected to be equal to or below 20%.

Average Percentage Error is the average absolute difference between the actual and the predicted sales price. A low number is a better indicator of predictability.

FIELD REVIEW

There are two types of field review to be undertaken by the assessors as noted below. The first to be discussed is a review of the valuations and the second is a field review of data due to a conversion.

Valuation Field Review

Regardless of the methodology applied to value property, as best practices, the assessors should visit assigned areas on an annual basis to observe changes in neighborhood conditions, trends and property characteristics, review of the proposed values once finalized for certification, ensure uniformity and maintain equity between the property classes.

New Valuation System or Conversion

The BLA recommends that a **full data quality field review** of all real property data be performed immediately upon implementation of a new valuation system and/or data conversion program. A field review is crucial whether the current property data is being retained or a new data collection program is being undertaken. A full field review ensures data components necessary for valuation in the new appraisal system have converted properly.

<u>A request for a desktop review of the data from a conversion</u> will be considered in place of a "full data quality field review" by BLA provided that initial physical inspections are timely completed and that an effective system of building permits or other methods of routinely identifying physical changes is in place. Jurisdictions should employ a set of digital imaging technology tools to supplement field review with a computer-assisted office review. In order for us to consider the request, assessors should answer this list of questions and submit this request prior to the conversion to their advisor for review. (See Commonly Used Forms – CF-6)

Assessors must keep comprehensive records documenting the review along with its results. If systemic errors are identified, it is expected that appropriate corrective measures will be undertaken to ensure accurate data. Therefore, the field or desktop review of data, must be completed early in the valuation process to allow for these corrections to be made.

BLA may require a full field review of data if it is determined through a data quality study there are sufficient systemic errors that necessitate correction.

PERSONAL PROPERTY

Personal Property market value can be defined as the price that dealers in the assets would accept and purchasers are willing to pay when the assets are bought and sold in the normal course of business.

Personal property should be valued annually in accordance with an acceptable appraisal methodology.

An annual review of personal property accounts should be undertaken to ensure accurate valuation. This review should include identifying the owners of personal property located in the community as of January 1 to determine taxable status, information on the taxable assets and the valuation of those assets.

Annual discovery of accounts should take place through a review of building permits, business permits issued by the town clerk, a review of the business directory and/or other newspaper and internet sources and by field review.

The assessors' record for each personal property account should include the owner's legal name, business name, tax billing address, business location in the community, asset listing and value. The asset listing should identify specific items and include for each item the age, count, replacement cost new, the depreciation percent and the replacement cost new less depreciation (RCNLD) value. After itemization, the taxable value of each category of personal property should then be totaled (e.g., fixtures, furniture, machinery, inventory, etc.).

Verifying or completing a listing of the individual items of taxable personal property for each account should be based on on-site inspections or review of Forms of List. Each account **must be inspected at least once every five years** and review of Forms of List should be performed annually. In the absence of either a current on-site inspection or Form of List the account assets should be estimated based on similar accounts or business models to account for any possible acquisitions or dispositions.

Valuation of the taxable property must be performed in accordance with an appropriate and uniformly applied appraisal methodology. All cost and depreciation tables need to reflect the current valuation date and be applied to each account in a consistent manner. Taxable items should be valued and depreciated through the tables and schedules established.

Non-taxable accounts must be set up in the appraisal system and contain the owner's legal name, business name, tax billing address, business location in the community, asset listing, value and the reason the account is not taxable.

Accounts that are not taxable due to falling below a small personal property exemption adopted by the community must be reviewed annually for compliance.

Second Home Personal Property

Second home personal property may be valued by on-site inspections or Forms of List, as is business personal property, unless the allocation method is used.

The use of the allocation method requires an analysis of residential second home personal property which must be conducted **every 5 years**. This review must consist of inspecting or reviewing the Forms of List of a minimum of 2% of all second home accounts but under no circumstances should it be less than 10 accounts.

The allocation % must be derived from the study and applied consistently to all second home RCNLD.

UTILITY ACCOUNT VALUATION

The Electric Utility Restructuring Act, Chapter 164 of the Acts of 1997, separated the generation of electricity from its transmission and distribution. Independent, non-utility producers in a deregulated environment now generating electricity and the plants' valuation must reflect market value. For information of the valuation of generating plants see IGR 17-26 VALUATION AND TAXATION OF ELECTRIC GENERATING FACILITIES (G.L. c. 59. § 38H(b))
https://www.mass.gov/media/1578761/download
For information on the valuation of transmission and distribution of electricity (Class 504) please see the Appendix pages A16, Utility Property, for information on determining value.

STATE OWNED LAND VALUATION

The Commissioner of Revenue, through the Bureau of Local Assessment (BLA) determines the fair cash value of certain tax-exempt state owned land (SOL) to be used to determine the Cherry Sheet Payment in Lieu of Tax (PILOT) distributed to the city or town each year. Criteria for reimbursement under the SOL PILOT program generally depends upon three factors: taxable status at the time of state acquisition, land use, and the particular state agency owning or "holding" the land G.L. c. 58, § 13-17 (use next button for §§ 14-17) and c. 59, § 5G). Land valuation does not include any improvements to the properties (such as buildings) or personal property. All state owned lands are being used for public purposes and as such are exempt from local taxation.

How is SOL Valued?

Before the Municipal Modernization Act, St. 2016, c. 218, the value of SOL in each community was individually determined every four years after a hearing and appeal process. Starting in FY 19, the process for valuing SOL changed. Under the new process, BLA determined a **base year** SOL valuation for each community as of January 1, 2017. After a hearing and appeal process, base year SOL valuations were finalized and then used to determine the FY 2019 PILOT payments distributed to participating cities and towns. Going forward under the new process, the base year valuations will be adjusted in FY 2020 and adjusted every two years thereafter by a percentage equal to the change in a city or town's equalized cash value (EQV). SOL valuations are also updated annually to include the value of any SOL acquisitions and/or dispositions in a community.

There is no appeal of the commissioner's determination under the new SOL procedure. Therefore, communities should be aware of the appeal process for determining its EQV because, as previously indicated, a community's EQV will form the basis of the adjustment factor for its SOL valuation. The Department of Capital Asset Management (DCAM) notifies the BLA of acquisitions, deletions and agency transfers.

Upon receipt of an acquisition assessors will be notified via email and must supply the following documentation on Gateway through the State Owned Land module, located in section Other Apps:

recorded deed or order of taking,
copy of commitment book entry for year prior to taking,

•

Land no longer being used for reimbursable SOL purposes will be deleted and reimbursement will cease.

Should documentation be found, e.g. by the Bureau of Local Assessment (BLA) or another state agency, showing that land not previously reimbursed is eligible for reimbursement, the site will be added to the PILOT Program. Conversely, if it becomes evident that land was erroneously reimbursed in the past, it will be removed from the PILOT Program.

Assessors' property record cards must show the proper use class codes for reimbursable SOL, and reflect the full and fair cash value as well. While municipal land values may change annually due to the real estate market, SOL values for reimbursement remain fixed until the next SOL valuation every two years. SOL valuation, for reimbursement purposes, will only change between SOL valuations when there are additions or deletions to the SOL inventory (except watershed).

FARMLAND VALUATION

The Farmland Valuation Advisory Commission (FVAC) adopts the range of recommended agricultural, horticultural and forest land use values for the various categories of land classified under G.L. c. 61 and c. 61A. These value ranges are to be used in conjunction with the assessors' appraisal knowledge, judgment and experience as to agricultural, horticultural and forest land values.

When a Board of Assessors determines local valuations for land classified as agricultural, horticultural or forest land under these chapters, they must consider only those indicia of value that such land has for agricultural, horticultural or forest uses. Any income, sales or other appraisal information considered by the assessors is limited to data specific to the crop or product being grown or produced.

If a Board of Assessors adopts values outside the range of values recommended by the FVAC, the determination must be supported by a comprehensive study of local factors influencing the agricultural, horticultural or forest use value, and include a detailed description of the selected valuation models and resulting use value estimates. The FVAC valuations must be considered in all local analyses.

Any sales of farmland, income data or other appraisal information being considered by the assessors should be limited to data specific to the crop or product being grown or produced. Any indicia of use value derived from sales must come from comparable sales of agricultural, horticultural or forest land to buyers who purchase the property to continue its current agricultural, horticultural or forest use. Assessors should ensure that sales used to support their valuations are comparable with respect to tillable land, pasture, meadow, woodland, mountainside and marsh, etc. In addition, they should identify and consider all other circumstances about the transactions that may have influenced the prices paid for the land, e.g., sales during crop growing season, irrigation and personal or business motivations of the parties.

When analyzing these sales, they should be grouped into crop or product categories similar to those recognized by the FVAC. If the number of sales is inadequate, regional data from comparable communities should be considered.

Rental income is a reliable means for deriving an estimate of market value using the income capitalization approach. When income data is available, local farm rental rates per acre for various land classifications should be used. Care should be taken to ensure that only the productivity of the land is evaluated and not the other income sources such as retail sales. The rental income method requires fewer assumptions, less dependence on management performance, and rental patterns are relatively consistent within the farming community.

PUBLIC DISCLOSURE

It is important to build and maintain public trust and confidence in the assessment administration system. This can be accomplished by keeping taxpayers informed of the legal requirements regarding assessments and of the assessors' responsibilities and actions in complying with those requirements. An informed taxpayer can alert the assessor to any inadvertent data inaccuracies preventing unnecessary abatement applications and undue burden on the overlay account. Assessor's websites should be informative and provide easy access to information. Websites should include the following features:

- Office hours, locations, contact information
- Annual update of property information, including property characteristics, sales history and current valuation
- News releases
- Appeals Process
- Exemptions
- Frequently Asked Questions (FAQ's)
- Tax Maps
- Taxpayers Forms

All communities are required to undertake a public disclosure program of all real and personal property valuations prior to receiving final certification. The program must be undertaken for a minimum of five (5) business days after the Bureau's issuance of preliminary certification.

For certification communities, a comprehensive notice must appear the general circulation in the community. The public disclosure notice can be listed in the local newspaper, be posted on the municipality's website, or both. Public disclosure of values must occur for a minimum of five (5) business days <u>following the date of publication.</u> The notice is not required to be a paid legal notice. A copy of the notice (or notices) should be uploaded into Gateway under the **"Certification Tab"** in the LA10, Assessment Adjustment List section.

The public disclosure notice **must** address the basis of the valuation changes, the program's overall effect on assessments, and the manner and time period in which taxpayers may review the proposed new assessments prior to tax billing.

It is expected that communities with a significant number of non-resident taxpayers will send or email impact notices. It should be noted that communities sending or emailing impact notices are still required to submit the public information release for publication in the newspaper or on the municipalities website.

The assessors must provide adequate opportunity, either during or after regular office hours, for taxpayers to make telephone or office inquiries regarding the proposed new values. Any changes to assessed values as a result of public disclosure should be made prior to submission of the LA10 and not through the abatement process. The LA10 should be completed and submitted on Gateway, even if there are no changes, the assessor must sign and submit.

If the assessors conducted a full revaluation program, which includes a full recollection of all property data and the development of a new valuation system, they are required to send impact notices to all taxpayers and must hold informal hearings. The impact notice must contain all pertinent legal information along with the previous and proposed values.

INTERIM YEAR ADJUSTMENTS

Performance analyses should be calculated to determine assessment levels and uniformity within the assessing jurisdiction. If there has been a change in market conditions which warrant property valuation adjustments, property values must be adjusted in a fair and equitable manner to reflect full and fair cash value as of January 1 in accordance with G.L. c. 59, § 2A.

Assessors must annually adjust valuations to reflect changes in the tax base due to new construction, alterations, or demolitions. In years between five-year certification, the assessors may undertake and complete a valuation adjustment program without the prior review or approval of the Bureau of Local Assessment. This is called an interim year adjustment. A plan, which includes analyses and application of appropriate appraisal methods, must be used to develop any valuation adjustments. After completion of the program, the community's assessments should be equitable and consistent within and between all property classes, as evidenced by conformity with accepted mass appraisal measures of assessment level and uniformity.

Documentation to support valuation changes must be prepared and retained by the assessors for a period of five (5) years or in accordance with the records retention schedule as determined by the Secretary of State (whichever is longer). This documentation should include a complete market analysis, sales ratio studies, income, expense and capitalization rate analyses and any data which supports the valuation changes being made.

All assessors must annually submit their sales report (LA3) of all real property to the Bureau of Local Assessment for analysis whether or not an adjustment was necessary. The sales report should be compiled according to the LA3 submission guidelines and signed and submitted via Gateway, the Division of Local Services online program. The statistical results of the sales are automatically calculated on the form "Interim Year Adjustment Report" (LA15). The LA15 should be reviewed and signed and submitted.

Valuations must conform to the assessment level and uniformity outlined in the **Statistical Analyses** section of these guidelines. It must be received with the Form LA4 "Assessment/Classification Report."

The completed form will be sufficient, although more detailed information may be requested. Examples of the LA15 online in Gateway are located on page CF3 of the Commonly Used Forms section.

APPENDIX

Formal Data Quality Study Guide

Completion and documentation of an initial data quality study is essential to establish that the quality of the existing data currently on file is acceptable.

Sampling Method and Sample Size

Selection of a random, representative sample of 2% to 5% of all properties is necessary. The sample should consist of all classes of property from within each of the neighborhoods of various styles and ages. The sampling process should be sufficient to ensure that existing property data is accurate for each significant type of property. Heterogeneous areas of the community may require a larger number in the sample selected to ensure accuracy of the existing data.

After an inspection (including an interior inspection) of each property subject to review has been completed, the assessors should correct any errors in the data. The values should then be rerun using the schedules from the mass appraisal system currently in place.

The original value is then compared with the value that would have been generated had the data on the property been accurate (old versus new). If the average level of discrepancy is in excess of 10% the assessor must evaluate whether there is sufficient data integrity to produce certifiable values.

There are two principle methods for inspecting the properties in the study and recording the results. The first is to use a new, blank property record card in the field and conduct the data verification inspection similar to a full measure and list inspection of the property for the first time. The second method is to use the existing property record card in the field and mark where the differences are identified.

Assessors must keep copies of the data inspection records documenting the changes in a separate file for review if requested by the BLA.

Properties should be coded as follows to track the severity of the data issue.

1) No discrepancies found
2) Discrepancies that would have been identified by a field review
3) Discrepancies that would only have been found by an exterior inspection
4) Discrepancies that would only have been found by an interior inspection

The mean and median of both value (dollar) and percentage differences should be computed for the entire sample, as well as for each of the four categories listed above.

The assessors should also stratify the sample by characteristics such as neighborhood, style, age, date, price quartiles, etc.

Corrective Action (as necessary)

A median in excess of 10% in any category, class, or type of property may indicate a need for prompt appropriate corrective action (full field review or complete measure and list as deemed necessary).

A median below 10% in any category may be corrected through the cyclical reinspection program.

Results of any data quality study performed must be reviewed with the BLA certification advisor before certification planning proceeds.

Time Trend Analysis

Resale Analysis

$$\frac{\text{Sale Price 2} - \text{Sale Price 1}}{\text{Sale Price 1}} = \text{Time Adjustment Factor for Entire Period}$$

$$\frac{\text{Time Adjustment Factor}}{\text{Time Period}} = \text{Time Adjustment Factor per Time Unit}$$

Example: A three bedroom Ranch sells twice during the year

Sale Date 1 : 1/16/18 Sale Price 1 : $ 350,000

Sale Date 2 : 9/16/18 Sale Price 2 : $ 400,000

$$\frac{400{,}000 - 350{,}000}{350{,}000} = \frac{50{,}000}{350{,}000} = .1420 \quad \text{or } 14\%$$

Time Period between Sales = 8 Months
Time Adjustment Factor = .14 / 8 = .0175 or 1.75 % Per Month
1.75 % x 12 Months = Time Adjustment Factor of 21 % Per Year

Paired Sales Analysis

This technique is rooted in the Sales Comparison Approach to Value. Similar properties sold at different times are adjusted to account for physical differences, leaving any remaining difference attributed to time.

Example: The similar properties are two homes in the same neighborhood built by the same developer.

Property 1 :	Ranch	3 Bedrooms	1 Bath	$ 285,000	Sold 2/18
Property 2 :	Ranch	3 Bedrooms	2 Baths	$ 330,000	Sold 12/18

Assume that appraisal models indicate that the 2nd bath is valued at $15,000. The older sale is then adjusted to the more recent sale.

	$ 285,000	Property 1 Sale Price (includes only 1 Bath)
+	$ 15,000	Value difference of 2nd Bath
	$ 300,000	Adjusted Sale Price of Property 1

Apply Formula:

$$\frac{\text{Property 2 Sale Price - Property 1 Adjusted Sale Price}}{\text{Property 1 Adjusted Sale Price}}$$

$$\frac{330{,}000 - 300{,}000}{300{,}000} = \frac{30{,}000}{300{,}000} = .10 \text{ for } 10 \text{ months}$$

$$\frac{.10}{10} = .01 \text{ or } 1\% \text{ per month}$$

Multiple Regression Analysis

If Time of Sale is one of the Independent Variables, its effects on Sales Prices can be estimated to determine a Time Adjustment Factor.

Example: If the Regression Analysis determines a Value, or Coefficient, for month of sale of $5,250, and the Average Sale Price is $350,000, then the indicated rate of change is:

$$\frac{\text{Time Value}}{\text{Average Sale Price}} = \text{Indicated Rate of Change Per Month}$$

$$\frac{\$5{,}250}{\$350{,}000} = .015 \text{ or } 1.5\% \text{ Per Month}$$

1.5 % x 12 = 18 % Per Year

Sales Ratio Trend Analysis

Normally, Sales Ratios are computed by this formula: **Ratio = Assessment / Sale**

R = A / S

But comparing Ratios is not the same as comparing Sale Prices!

For Example:

Sale 1: A / S = 250,000 / 200,000 = 1.2500

Sale 2: A / S = 250,000 / 300,000 = 0.8333

** Note that the Assessment remains constant which is a critical assumption in using this method.*

$$\frac{\text{Sale 2} - \text{Sale 1}}{\text{Sale 1}} = \text{Time Adjustment Factor for Entire Period}$$

$$\frac{300{,}000 - 200{,}000}{200{,}000} = \frac{100{,}000}{200{,}000} = .50 \text{ or } 50\%$$

But, using the Ratios in the same manner produces different results.

$$\frac{0.8333 - 1.2500}{1.2500} = \frac{-.4167}{1.2500} - .3333 \text{ or } - 33\%$$

Sale/Assessment Ratios (S/A)

Reciprocal Ratios, called Sale/Assessment Ratios, must be computed and used in the formula in order to get the correct results. Computing the S / A Ratio for the example:

Sale 1: S / A = 200,000 / 250,000 = 0.8000

Sale 2: S / A = 300,000 / 250,000 = 1.2000

When these Sale / Assessment Ratios are used, they produce the same Time Adjustment Factor found by comparing Sale Prices.

$$\frac{1.200 - .8000}{.8000} = \frac{.4000}{.8000} = .50 \text{ or } 50\%$$

Since Ratios are Fractions,

Ratio 2 - Ratio 1 =	$\frac{\text{Assessment}}{\text{Sale 2}} - \frac{\text{Assessment}}{\text{Sale 1}}$		Cannot be subtracted since denominators are different
But,	$\frac{\text{Sale 2}}{\text{Assessment}} - \frac{\text{Sale 1}}{\text{Assessment}}$		Can be subtracted since the denominators are exactly the same.

Time Adjusting Sales to the Assessment Date

To apply the Time Adjustment Factor to the Sales Database, the following formula is used:

$$TAS = S\,(1 + rt)$$

Where,

"TAS" is the Time Adjustment Sale Price

"S" is the Unadjusted or Original Sale Price

"r" is the monthly (or quarterly) rate of change

"t" is the number or months (or quarters) from the sale date to the assessment date

Example:

A $150,000 sale occurring 6 months before the assessment date would be adjusted as follows, using the 2.5 % per month time adjustment factor from above:

$$TAS = \$\,150{,}000\,[\,1 + (.025)(6)]$$

$$= \$\,150{,}000\,(\,1\ +\ .15)$$

$$= \$\,150{,}000\,(\,1.15\,)$$

$$= \$\,172{,}500$$

Time Adjusting Sales Using Sales Ratio Analysis

When using this method, the Assessment Date Median Ratio is used as the point of reference - whether the sale occurs before or after this date.

Mdn S/A Ratio Assmnt Date - Mdn S/A Ratio Qtr (or Monthly)

________________________________ = Time Adj Factor for Entire Period

Quarterly (or Monthly) Median S/A Ratio

Consider the following Table of Median Sales/Assessment Ratios:

Qtr	Year	Sale Price	Jan 1, 2019 Assessment	S/A Ratio	Trend Factor Per Quarter
1	2018	180,000	200,000	0.900	0.08325
2	2018	200,000	200,000	1.000	0.06666
3	2018	220,000	200,000	1.100	0.04545
4	2018	240,000	200,000	1.200	0.00000
1	2019	240,000	200,000	1.200	0.00000
2	2019	250,000	200,000	1.250	-0.02000

The Median S/A Ratio for the Assessment Date of 1/1/19 is the average of the 4th Quarter of 2018 and the 1st Quarter of 2019 or 1.20.

Example: Time Adjustment Factor for the 1st Quarter of 2018:

$$\frac{1.20 - 0.90}{0.90} = \frac{0.30}{0.90} = .333 / 4 = .08325 \text{ Per Quarter}$$

Time Adjustment Factor for the 2nd Quarter of 2018:

$$\frac{1.20 - 1.25}{1.25} = -.04 / 2 = -.02 \text{ per Quarter}$$

Multiple Time Adjustment Factors

Sometimes, a series of Time Adjustment Factors are needed to accurately reflect Sale/Assessment Ratio Analysis results. These market trends can be seen on a graph plotting time against S/A Ratios.

Assume a S/A Ratio Analysis reveals a 2% per month inflation for the first 6 months and a 1% per month inflation for the next 6 months. A formula reflecting this trend would be:

$$TAS = S\,[1 + (.02)(t1) + (.01)(t2)]$$

Where,

$t1$ = the number of months in the first time period
$t2$ = the number of months in the second time period

Example:

A sale of $400,000 occurs 9 months before the assessment date. It would be adjusted as follows:

$$TAS = \$400{,}000\,[1 + (.02)(3) + (.01)(6)]$$

$$= \$400{,}000\,[1 + .06 + .06]$$

$$= \$400{,}000\,(1.12)$$

$$= \$448{,}000$$

PRICE RELATED DIFFERENTIAL

The **Price-Related Differential (PRD)** is a statistic for measuring assessment progressivity or regressivity. It is calculated by dividing the mean by the weighted mean. PRD's should typically, except for in small samples, range from .98 to 1.03. A PRD below .98 would indicate progressivity, where high-value properties are *over-assessed* relative to low-value properties. A PRD greater than 1.03 would indicate regressivity, where high-value properties are *under-assessed* relative to low-value properties. The PRD only provides an indication of assessment bias or inequity. Assessors should utilize it as a supporting method in determining assessment levels. ***(Small sample size is only used to illustrate PRD calculations)***

Example 1 – NO BIAS

Sale Number	Assessed Value	Sales Price	ASR
1	$130,000	$120,000	1.083
2	$124,000	$130,000	.954
3	$131,000	$140,000	.936
4	$140,000	$150,000	.933
5	$160,000	$160,000	1.000
6	$179,000	$170,000	1.053
	$864,000	**$870,000**	**5.959**

Mean= .993 (5.959/6)
Weighted Mean=.993($864,000/$870,000)
PRD=1.000 (.993/.993)

Example 2 – REGRESSIVITY

Sale Number	Assessed Value	Sales Price	ASR
1	$180,000	$120,000	1.500
2	$131,000	$140,000	.936
3	$140,000	$150,000	.933
4	$179,000	$170,000	1.053
5	$175,000	$230,000	**.761**
6	$230,000	$260,000	**.885**
	$1,035,000	**$1,070,000**	**6.068**

Mean= 1.011 (6.067/6)
Weighted Mean=.967($1,035,000/$1,070,000)
PRD=1.045 (1.011/.967)

Example 3 – PROGRESSIVITY

Sale Number	Assessed Value	Sales Price	ASR
1	$75,000	$115,000	**.652**
2	$90,000	$125,000	**.720**
3	$115,000	$130,000	.885
4	$135,000	$150,000	.900
5	$160,000	$160,000	1.000
6	$179,000	$170,000	1.053
	$754,000	**$850,000**	**5.210**

Mean= .868 (5.210/6)
Weighted Mean=.887($754,000/$850,000)
PRD=.978 (.868/.887)

Land Valuation

LAND ANALYSIS—ABSTRACTION METHOD (LAND RESIDUAL ANALYSIS)

Sale Price (SP) minus RCNLD of Buildings equals Indicated Land Value (ILV)

SP – RCNLD = ILV

Indicated land value, not the land schedule value, should be analyzed to determine all land segment values.

Land segments consist of:

Prime Lot = size per zoning or predominant lot size
Excess/Rear = size in excess of the zoning or predominant lot size
Secondary Lot, Front Feet or Front Acre = Criteria must be established by the Assessor (zoning, predominant lot size or other)

Applicable zoning for all examples: 1 acre with 200 feet of road frontage

Example 1: Prime Lot Value Determination

Sale Price: $430,000
RCNLD: $230,000
Size/Shape: 1 acre with 200 feet of road frontage

SP – RCNLD = ILV Prime
SP ($430,000) – RCNLD ($230,000) = ILV ($200,000)

Example 2: Excess/Rear Land Value Determination

Sale Price: $460,000
RCNLD: $240,000
Size/Shape: 3 acres with 200 feet of road frontage

SP – RCNLD = ILV – ILV Prime = ILV Excess
SP ($460,000) – RCNLD ($240,000) = $220,000 – ILV Prime ($200,000) = ILV Excess ($20,000)

ILV Excess / Number of Acres = Excess Land Value per Acre
ILV Excess ($20,000) / 2 acres = Excess Land Value per Acre ($10,000)

Example 3: Secondary Lot Determination (Front Feet and Front Acre calculation not shown)

Sale Price: $570,000
RCNLD: $250,000
Size/Shape: 4 acres with 400 feet of road frontage
Criteria: Each segment of 1 acre with 200 feet of road frontage above zoning requirements

SP – RCNLD = ILV – ILV Prime – ILV Excess = Secondary Lot Value
SP ($570,000) – RCNLD ($250,000) = ILV ($320,000) – ILV Prime ($200,000) – ILV Excess ($20,000) = Secondary Lot Value ($100,000)

ALLOCATION METHOD

The **Allocation Method**, also known as the land ratio method, essentially creates land sale comparables by calculating the **ratio** of the contributory value of land **from improved property sales**, based on the ratio of land value to improved property value from sales in other, similar areas or uses.

Points to consider and keep in mind-

- Used to support land value when no land sales are available
- Properties used in analysis should be improved to their highest and best use or technique is less applicable
- The ratio from one area or property type is not necessarily transferable to another area or property type
- Is less reliable on older properties because estimating accrued depreciation is too subjective
- Should not be used to establish land values directly, more effective as a supporting method

Office Sale Price	- RCNLD	= Land Portion	Land/Total %
$750,000	$480,000	$270,000	36%
$900,000	$585,000	$315,000	35%
$1,025,000	$630,000	$390,000	38%
$1,200,000	$755,000	$445,000	37%
$1,300,000	$780,000	$520,000	40%

Indicated land portion = 37%

Now you could test this indicated land portion against the portion you are currently using. In this case you could sum all the assessed office land values in your community and divide by the sum of all the total assessed values of office properties and adjust as needed. You should consider performing this exercise for different property classes and/or market areas as deemed necessary.

Once you have reconciled to an adjusted percentage you could apply to the entire population as follows:

Total Assessed Value X	Land Factor =	Land Value	Lot Size	Per SqFt
$875,000	.37	$322,750	20000	$16.14
$1,075,000	.37	$397,750	30000	$13.26
$1,300,000	.37	$481,000	43560	$11.04
$1,450,000	.37	$536,500	60000	$8.94

LAND RESIDUAL CAPITALIZATION

Technique

To assist in the development of land values for commercial & industrial property, including apartments, in the absence of market sales or land leases, assessors can use the land residual capitalization technique to estimate a land value and develop land value per unit (sq.ft.) tables.

The first requirement to use this technique is that the building value must be known. Properties selected for analysis should include newer buildings where replacement cost and accrued depreciation can be estimated by the assessor and where the existing building is considered the highest and best use for the land. If the land is vacant, or the existing building is not considered the highest and best use, the improvement can be hypothetical.

Technique Steps:

1. Estimate the value of the building & other improvements using the cost approach (RCNLD).
2. Estimate the annual net income to the property before recapture (depreciation) and real estate taxes (effective tax rate) as of the assessment date.
3. Estimate a capitalization rate for:
4. Land (discount rate + effective tax rate)
5. Building (discount rate + recapture rate + effective tax rate)
6. Calculate the Building Income by multiplying *the RCNLD times (x) the Building Cap. Rate*
7. Calculate the Land Income by *subtracting the Building Income from the Total Income*
8. Calculate the Land Value by *dividing the Land Income by the Land Cap. Rate*
9. Divide the Indicated Land Value by the Land Area to Estimate the Land Value per Unit.

Capitalization Rate Development [For Demonstration Purposes]

Land Capitalization Rate	Building Capitalization Rate
Discount Rate = 5.0%	Discount Rate = 5.0%
	Recapture Rate = 2.0% (1/ 50-year life)
Effective Tax Rate = 1.0%	Effective Tax Rate = 1.0%

Example: Solve for Land Value; given the following assumptions:
LAND 6.0% - BUILDING 8.0% $200,000 - TOTAL NOI $25,000, Lot size:3000 sq. ft

	Income	Cap Rate	Value
Land	**$9000**	**6.0%**	**$150,000**
Building	$16,000	8.0%	$200,000
	$25,000 (NOI)		

Once the land value is estimated it can be used **on a per unit basis for comparable parcels.**
Indicates: Land value at $150,000 divided by 3000 SF =$50 per SF

CAPITALIZATION OF GROUND RENT

This procedure is used when land rents and land capitalization rates are readily available. Net ground rent, the net amount paid for the right to use and occupy the land, is estimated and divided by a land capitalization rate. Either actual or economic rents can be capitalized using rates that can be supported in the market.

What is ground rent?

Ground rent is the amount paid for the right to use and occupy the land according to the terms of the ground lease. It corresponds to the value of the landowners' interest in the land, the lease fee interest.

For specialty properties, such as cell tower, billboards, and solar facilities, it may be necessary to value the land and the improvements separately. If the tenant is responsible for paying the taxes for the entire property, as if in fee simple, remember to include this rent as an expense item on the income and expense report for the tower, billboard or solar facility. In order to value the land using the capitalized ground rent, it is important to know how much of the land is being leased, and a copy of the lease should be reviewed. Only that portion of the land included in the lease should be capitalized and valued.

Example

For this example, a cell tower is located on a 10,000 square foot parcel of land which is being leased for $2,500 per month, and you have established that the land capitalization rate is 10%. All expenses are paid by the tenant in this scenario, and the annual rent is $30,000.

Using the IRV formula (Income/Rate = Value), the estimated land value for this parcel, using the capitalized ground rent method is $300,000.

ANNUAL INCOME	CAP RATE	INDICATE FULL AND FAIR CASH VALUE
$30,000	divided by .10 equals	$300,000

ANTICIPATED USE METHOD
(DISCOUNTED CASH FLOW, SUBDIVISION DEVELOPMENT ANALYSIS)

The rationale to use this appraisal method is to estimate a price an investor would pay to purchase land which has subdivision potential.

To apply the method properly, the assessor must be familiar with the development process and perform analyses of all market conditions which affect the indicated land value. The analyzed market data must come from the community in which the appraised property is located. Any unsupported adjustments will destroy the credibility of the approach.

The hypothetical lot subdivision of the appraised property must be physically possible, legally permissible and economically feasible.

Projected Selling Price (PSP) of developed lots minus Total Development Costs, direct and indirect (TDC) = Indicated Land Value (ILV)

PSP – TDC = ILV

Simplified Example:

Prime Lot Value (PLV) = $200,000 (PLV is determined utilizing sales comparison approach to value)

Prime Lot Total (PLT) = 22 lots

PLV x PLT = PSP

(PLV) $200,000 x (PLT) 22 = (PSP) $4,400,000

Direct Cost (DC) + Indirect Cost (IC) + Profit (P) = Total Dev. Cost (TDC)

(DC) $1,100,000 + (IC) $1,100,000 + (P) $1,100,000 = (TDC) $3,300,000

PSP – TDC = ILV

(PSP) $4,400,000 – (TDC) $3,300,000 = (ILV) $1,100,000

ILV / PLT = PLV

(ILV) $1,100,000 / (PLT) 22 = (PLV) $50,000

Matched Pair Analysis

Appraisal technique used to determine the contributory value of one particular attribute of a property.

The appraiser analyzes two or more sales where the only difference is the value of the attribute sought.

EXAMPLE 1 (Beach Front)

	Sale 1	Sale 2
Beach Front	**Yes**	**No**
Lot size	10,000 sf	10,000 sf
Loc./Valuation Neighborhood	Green Harbor	Green Harbor
Style	Colonial	Colonial
Effective Age	10	10
Grade	Good	Good
Condition	Average	Average
Gross Living Area	2,000	2,000
Amenities	deck	deck
Sales Price	**$1,000,000**	**$750,00**
Sales Date	01/05/2018	01/14/2018
TASP	NA	NA

Sale 1 price ($1,000,000) – Sale 2 Price ($750,000) =
Contributory value of the Beach Front ($250,000)

EXAMPLE 2 (Fireplace)

	Sale 1	Sale 2
Lot Size	15,000 sf	15,000 sf
Neighborhood	R1	R1
Style	Cape	Cape
Fireplace	**No**	**Yes**
Effective Age	12	12
Grade	Average	Average
Condition	Average	Average
Gross Living Area	1,600 sf	1,600 sf
Amenities	Shed	Shed
Sales Price	**$350,000**	**$356,500**
Sales Date	09/02/2018	09/10/2018
TASP	NA	NA

Sale 2 price ($356,500) – Sale 1 price ($350,000) =Contributory Value of the Fireplace ($6,500)

Utility Property

Data Collection — Transmission and Distribution

As of the valuation date the assessors should collect the following data and information for each utility account:

a) Information on the physical plant located in the community and subject to taxation. This information may be obtained from the Form of List submitted by each utility company.

b) Information on the dollars invested in the physical plant in the community. This information may be obtained by requesting the utility company's historical (gross and net book) costs.

c) System-wide financial and statistical data. This data may be obtained by requesting a copy of the annual return filed by each utility company with the Accounting Division of the Massachusetts Department of Telecommunications and Energy. In addition, rate base information, such as the rate of return allowed on the book cost and the return on common stock equity should be obtained.

Valuation

a) Cost

(1) Historical

(a) Net book
(b) Gross book less an approved rate of depreciation.

(2) Reproduction cost new less depreciation, provided proper allowances are made for physical and functional depreciation and economic obsolescence.

(a) Trending, using a generally accepted manual or index
(b) Re-pricing.

b) Income

Income attributable to taxable personal property must be isolated from system-wide income data.

c) Market

(a) Stock and debt approach
(b) Comparable sales approach.

Documentation

For certification purposes, the assessors must submit the appraisal documentation used to arrive at an opinion of fair market value. The appraisal documentation must include:

a) A complete inventory listing the proposed values for each category of inventory, including the Form of List;

b) Depreciation estimates fully documented by type;

c) Relevant data supporting any opinion of value. This data must:

(1) Identify the existence of special circumstances that indicate a fair market value in excess of net book. Special circumstances enumerated by the Supreme Judicial Court that might induce a buyer to pay more than net book and might indicate a fair market value in excess of net book include, but are not limited to:

(a) The return actually being earned by the utility may exceed or be expected to exceed the rate of return approved by the regulatory agency in the allowed rate.

(b) The prospective buyer's allowed return on its investment may exceed the return available in the market for an investment having the same or greater risk.

(c) The applicable rules of law or regulatory agency policies may be changed so as to make the investment more attractive. For example, the regulatory agency may allow an increase in the rate of return allowed the utility or may abandon its existing carry-over rate base policy which provides that when a utility company sells an asset to another regulated utility company, the buyer's return is limited to the rate base value in the hands of the seller and not in any higher purchase price that the buyer might have paid. The prospect of any change must be a reasonable one.

(d) The potential for growth in a utility's business may warrant paying more than the utility's net book cost of particular property.

(e) A non-utility buyer, not subject to the governmental restrictions on its earnings, might purchase part of the property in the system.

(f) A municipality may be considering forming a municipal utility and might purchase the property.

(2) Show why special circumstances would influence a buyer to pay more than net book value for utility assets, *e.g.* "'the applicable rules of law or governing agency decisions might be changed so as to make an investment in the company more attractive." *See* ***NSTAR Electric Co. v. Assessors of Boston,*** 94 Mass App. Ct. 1129 (Memorandum and Order pursuant to Rule 1:28, February 22, 2019), *slip op. at 3, 7.* In the ***NSTAR*** case, the Appeals Court affirmed a valuation methodology giving equal weight to net book value and reproduction cost new less depreciation (RCNLD) of utility property. Substantial evidence showed that the Department of Public Utilities no longer follows a strict carry-over rate base regulatory policy and might allow adjustments to a purchaser's rate base to reflect a prudent purchase price above the plant's net book case. The Court affirmed the finding that NSTAR actually received a return on equity greater than net book value would explain. (For more information, see LFO-2019-1, Assessing Utility Properties.)

d) The final total estimate of the full and fair cash value of the property.

Recommended Best Practice for Map Maintenance

The recommended best practice for map maintenance is compliance with the *MassGIS Standard for Digital Parcels*. Implement this by using the specification below in contracts or scopes of work for parcel map maintenance. Use the specification either with consultants or with in-house providers of map maintenance services. Edit the list of delivered products to include only those products you want.

Advantages of the MassGIS Standard:

- In many communities the standardized data provides better quality mapping
- It ensures a very high match rate between maps and assessing data and vice versa
- It provides seamless integration with parcel data from adjacent communities, whether for supporting emergency response, complete abutter notifications, planning, or development review.
- It is a complete specification for a map maintenance consultant
- It lowers software application costs because consultants don't have to customize their application for non-standardized parcel mapping.
- It enables tight integration between parcel data and other land records (for example, permit records and registry records)
- It enables much better address matching (mapping addresses as point locations)
- It enables state or regional level on-line viewing of parcel data
- The MAAO endorses the MassGIS Standard as a best practice.

Specification Template

The assessor parcel mapping for *<your city/town name>* must be maintained in full compliance with all aspects of Level 3 of the current version of the MassGIS Standard for Digital Parcel Files (hereafter "the standard").

Compliance includes:

a) incorporating a CAMA extract provided by *<your city/town name>* Assessing Department and containing the standard's unique location identifier ("LOC_ID" for short), and
b) meeting or exceeding the standard's requirements for a match rate between the parcel mapping and the CAMA extract and vice-versa.

Note: In complying with this specification, it is essential that existing LOC_IDs be changed only when a parcel is subdivided or combined with others or is otherwise substantially reconfigured; a parcel is considered to be substantially reconfigured if its area changes by more than 10%.

<u>Stages in implementing this specification:</u>

1) Assemble the deeds, plans, and other source materials from which to complete the map updates and give them to your map maintenance service provider.
2) The map maintenance service provider completes map updates and returns a "CAMA update list" list of new or changed parcels identified by map ID (e.g., map and lot number or equivalent); each map ID on the list has its corresponding LOC_ID created by the service provider.
3) The assessor finds the CAMA record for each map ID in the CAMA update list and uses computer mouse controls to "copy" and "paste" each LOC_ID to its correct location in the CAMA record. If the new parcel has condominiums, then <u>each</u> condominium record needs to receive the LOC_ID for that single parcel.
4) Once the LOC_IDs are updated, the assessor delivers to the map maintenance service provider a) a fresh "MassGIS extract" from their CAMA system and b) a description of any custom use codes identified by the map maintenance service provider as needing a description.
5) The map maintenance service provider returns the products below.

<u>Products to be Delivered:</u>

1) A fully standards-compliant updated digital parcel file in ESRI file geodatabase format and in shape file format (on mutually agreed upon medium)
2) The *<name of third-party or internal service provider>* loads a copy of the ESRI file geodatabase to MassGIS' web site.

Website:

http://www.mass.gov/anf/research-and-tech/it-serv-and-support/application-serv/office-of-geographic-information-massgis/standards/standard-parcels.html

Commonly Used Forms

Form Land 1

Format for Land Schedule Submission

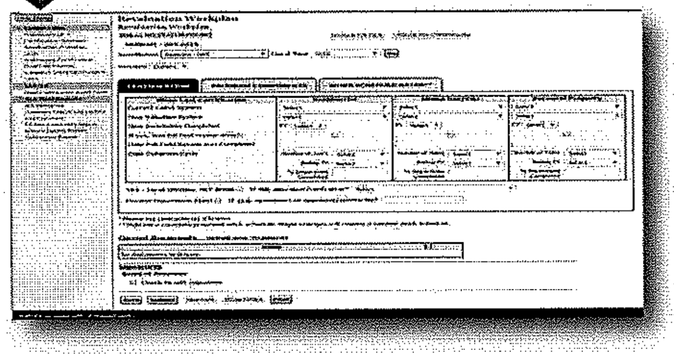
Submission is to be made in Excel Format

	Square Foot Gradations								
Neighborhoods									

Square Foot Gradations should be incremental have a range starting, at least, at 5,000sf and continue, at least, up to the maxim square footage required for a primary lot within each neighborhood.

A. Gradation intervals should contain, at least, principle break points as applicable to the municipality. These could be 1000sf, 2000sf, 2500sf or other intervals as applicable to the zoning or custom.
B. If the size of the prime lot varies by zoning and zoning can vary within a neighborhood then the schedule should separate each neighborhood into the various allowable zones.
If a neighborhood has two separate zones then it should be broken down into two separate lines. {For example: Neighborhood 3, Zone 10,000sf should be one line and Neighborhood 3, Zone 20,000sf should be another line}

I. Revaluation Workplan is submitted in Gateway:



Printed version .pdf

MASSACHUSETTS DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES

Acushnet
City / Town / District

Revaluation Workplan - Fiscal Year 2017

Version: 7/12/2016 2:35:06 PM (Not current, valid before)

Billing	Submitted By	Position
Q		

Certification

Since Last Certification	Residential	Mixed Use/C&I	Personal Property
Current CAMA System			
New Valuation System			
New Installation Completed			
If yes, was full field review done?	N	N	N
Date Full Field Review was Completed			
Data Collection Cycle	Number of Years: Ending FY: % Inspections Complete to Date:	Number of Years: Ending FY: % Inspections Complete to Date:	Number of Years: Ending FY: % Inspections Complete to Date:

504 - Local Utilities - NET BOOK: N **If NO, appraiser/contractor:**

Electric Generation Plant: N **If YES, agreement or appraiser/contractor:**

Program Components

	Residential		Mixed Use/C&I		Personal Property	
	Inhse	Contractor Name	Inhse	Contractor Name	Inhse	Contractor Name
Partial field review	N		N		N	
Full field review	N		N		N	
Data collection	N		N		N	
Formal data quality study	N		N		N	
Valuation	N		N		N	
Valuation field review	N		N		N	

New Mapping Program? N **GIS?** N **Integrated with CAMA?** N **Last Updated?**

Impact Notices? N **Classes:** **Notification to 2nd home Owners Required?** N

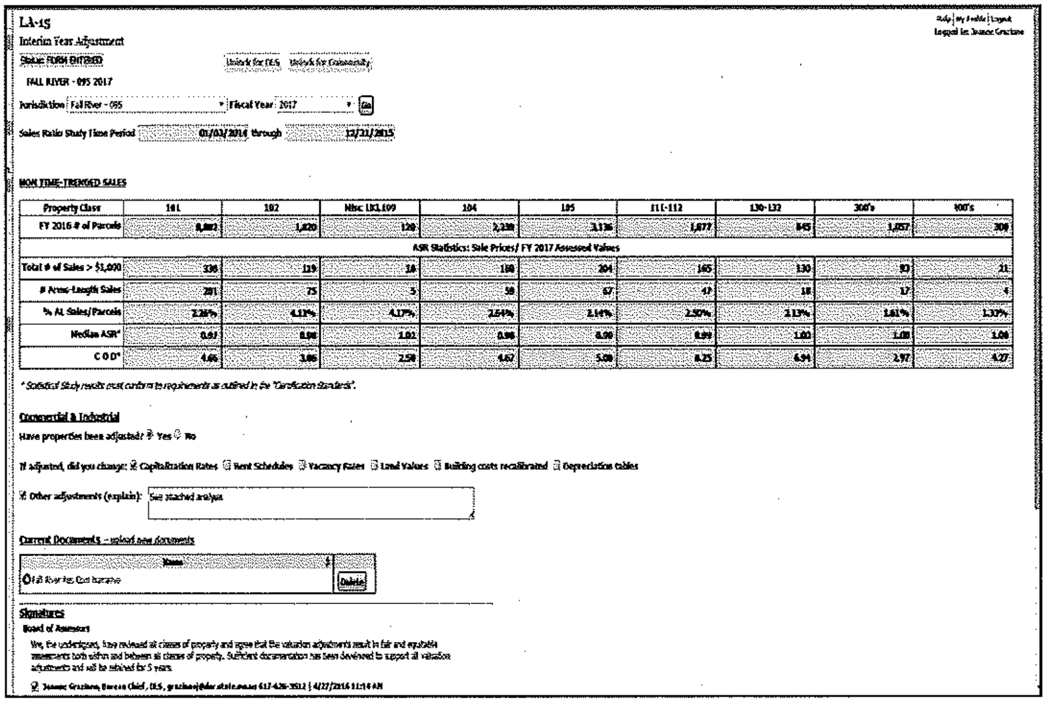
Adequate Funds for Revaluation: N **Appropriation:**

Work Schedule Dates

	Start Date	End Date
Sales analysis		
Value generation		
Value review		
DOR review		
Public disclosure		
Tax rate set		

LA-15 Interim Year Adjustment Review

The LA-15 report to is located within the LA-3 Tab in Gateway. To complete the submission process for the Interim Year Adjustment program, you must go to the **LA-15** form. The Parcel Counts for the LA-15 will be auto filled from prior year's LA4. Statistics will display.



LA-15
Interim Year Adjustment
Status: FORM ENTERED
Unlock for DLS | Unlock for Community
FALL RIVER - 095 2017
Jurisdiction: Fall River - 095 | Fiscal Year: 2017 | Go
Sales Ratio Study Time Period 01/03/2014 through 12/31/2015

NON TIME-TRENDED SALES

Property Class	101	102	Misc 103,109	104	105	111-112	130-132	300's	400's
FY 2016 # of Parcels	[illegible]	1,820	120	2,238	3,136	1,877	845	1,057	308
ASR Statistics: Sale Prices/ FY 2017 Assessed Values									
Total # of Sales > $1,000	330	119	18	188	204	165	130	83	21
# Arms-Length Sales	201	75	5	58	67	47	18	17	4
% AL Sales/Parcels	2.26%	4.12%	4.17%	2.64%	2.14%	2.50%	2.13%	1.61%	1.33%
Median ASR*	0.97	0.98	1.02	0.96	0.90	0.99	1.00	1.08	1.00
COD*	4.66	3.06	2.58	4.67	5.08	8.25	6.94	2.97	4.27

* Statistical Study results must conform to requirements as outlined in the "Certification Standards".

Commercial & Industrial
Have properties been adjusted? Yes No

If adjusted, did you change: Capitalization Rates | Rent Schedules | Vacancy Rates | Land Values | Building costs recalibrated | Depreciation tables

Other adjustments (explain): See attached analysis

Current Documents - upload new documents

Name | Delete

Signatures
Board of Assessors
We, the undersigned, have reviewed all classes of property and agree that the valuation adjustments result in fair and equitable assessments both within and between all classes of property. Sufficient documentation has been developed to support all valuation adjustments and will be retained for 5 years.

After reviewing the resulting sales statistics for compliance with program requirements, and answering the questions pertaining to the C & I updates, if ready for formal submission, the majority of the Board of Assessors (or its authorized designee) should **save and sign and submit** the form at the bottom of the screen.

Note: When reviewing C&I adjustments, "No" is the default (for having no adjustments.
When you click Yes, all the boxes become active.

LA4 – Assessment Classification Report

New on Gateway as of FY 2017:

In the *Chapter Land Columns*, Mixed Use chapter parcel count is broken out.

- The count for mixed chapter land goes on the left.
- The count for regular chapter land goes on the right.
- The count for regular mixed use goes under mixed use but does NOT contain the count for mixed use chapter.

Classes 450-452and 550-552 are segregated on the report:

Exempt Parcel count is added.

LA-4 Preliminary and Final

Property Type	Parcel Count		Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101		3,762	1,137,181,200				
102		713	160,142,200				
MISC 103,109		26	9,702,350				
104		185	52,669,700				
105		79	18,061,690				
111-125		85	112,369,000				
130-32,106		279	13,829,990				
200-231		0		0			
300-393		205			173,134,900		
400-442		53				17,316,200	
450-452		0				0	
CH 61 LAND	0	0		0	0		
CH 61A LAND	0	1		0	1,600		
CH 61B LAND	0	4		0	40,000		
012-043		80	15,818,564	0	15,134,986	0	
501		190					7,337,900
502		232					9,063,400
503		0					0
504		4					17,360,800
505		2					6,047,600
506		0					0
508		4					1,558,900
550-552		0					0
TOTALS		5,904	1,319,664,814	0	188,311,486	17,316,200	26,084,600
Real and Personal Property Total Value							1,762,181,100
Exempt Parcel Count & Value						6,464	131,497,300

For CH 61, 61A and 61B Land: enter the mixed use parcel count in the left-hand box, and enter the 100% Chapter land parcel count in the right-hand box.

Request to Desktop Review for CAMA Conversion

Community:	Submitted by:
Current CAMA System:	Proposed CAMA System:
Fiscal Year to be Complete:	Consultant:

The Bureau of Local Assessment would like to consider your request for a desktop review of a CAMA conversion. Please answer the following questions and submit your responses to your advisor.

1. Is funding in place to fully implement this program, and if not, please explain the community's plan?
2. Provide a list of the (potential) hardware and/or software required for successful implementation and when it will be installed.
3. Who will provide technical support and is in-house training included with conversion?
4. When was the last cyclical inspection cycle completed? Also, when was the last full field review conducted?
5. Will this process (desk top review) be used for all classes of properties?
6. There must be appropriate criteria (e.g. Data Collection Manual) in place that make use of proper appraisal practices. Who will determine the proper physical elements of the conversion?
7. How much of the process is automated and how much requires manual data entry? *For example, will commercial sketches require data entry?*
8. How will income data be converted?
9. How will the condo class property details be converted?
10. How will exempt class be converted? Are there sketches?
11. What digital tools will be used for street views? For example, there are many software tools that integrate oblique (3D) imagery and orthogonal imagery, that will assist you.
12. Please include information on who will be performing the various functions, including their job titles and expertise.
13. What type of quality control program and performance measures will be in place to assure the data is being reviewed accurately and consistently?
14. What's the timeframe for implementation?
15. Which party is responsible for the valuation tables and producing final assessed values?

Certification Check List

Preferred Format for Submittal: (*1) Excel, (*2) Electronic version if available - .doc / .docx (Word), .pdf, .jpg....
Forms can be found in the Commonly Used Forms section of the Certification Standards

	Item	X	Date Received
1	Review the status of Previous Directives		
2	Revaluation Workplan:		
	A. Upload or fill out the Revaluation Workplan on Gateway; Assessor to Save and Submit; Advisor Approve		
	B. Or, fill out the Workplan and upload, after a review by your certification advisor, into the Revaluation Workplan section of the Certification tab		
	a. If using the Excel version simply upload after completing (*1)		
	b. If using the .pdf then complete, scan and upload (*2) or complete and submit to your advisor		
3	Upload LA-3 Sales File into Gateway (*1)		
	A. Loc ID field exported		
	B. "N" Code Explanations should be on LA3 (In the comments column)		
	C. Check all medians and COD's for compliance (overall, quartiles or half's)		
	D. Sign and Submit LA3 in Gateway		
	E. Time Adjustment Sales Study - if applicable - (*1)		
4	Final ASR Studies by: - (With resulting medians & COD's)		
	a. State Use Code		
	b. Style		
	c. Selling Price		
	d. Neighborhoods		
	e. Age Groups		
	f. Dates *(Optional - This is a Gateway process)*		
	g. Other		
	Condominium Studies by: (With resulting medians & COD's)		
	a. Overall by Use		
	b. Complex		
	c. Selling Price		
	d.. Dates *(Optional - This is a Gateway process)*		
5	Preliminary LA-4 from the CAMA system (*2)		
6	Enter Preliminary LA4 on Gateway and Save and Submit		
7	Check Land Methodology(ies) used for Residential Class (130-132, 101-109)	X	
	Sales Comparison (Vacant Land Sales)		
	Abstraction (Land Residual) (A-9)		
	Other		
8	Neighborhood Map - @ the beginning of the certification review (*2)		
9	Copy of land rate tables		
	A. Land Form 1 - Neighborhood Land Pricing Schedule (*1)		
	B. Copy of additional land rate tables including excess, and front foot price (*1)		
10	Land pricing instructions that describes method of pricing for the following - Could be included in #7 (*2):		
	A. Primary lots		
	B. Excess/residual		
	C. Un-developable		
	D. Front feet or secondary		
	E. Waterfront adjustments/condition factors		
11	Copy of vacant land discount analysis -- if applicable -- (*1)		
12	Land Analysis Studies - (*1)		
	A. Vacant Land Sales Analysis		
	B. P code Study (vacant land sales improved as on Jan 1st)		

13 Land Residuals Analysis (*1)
A. Overall Land Residual Study: *Provide number of total sales and percentage of sales used in final analysis*
B. Land Residuals By NBHD
C. Land Residual By Lot Size – Three strata w/ lot size
a. By Primary lot size or by zoning (if schedule is applied)
b. Oversized by primary lot size or by zoning
c. Oversized by NBHD if excess varies by NBHD
* Analysis by zoning may be requested if difficulties setting excess value or high excess rate
14 Residential Cost & Depreciation Tables (including Base Rate Cost Study) - Could be included in #7 (*2)
15 Review Residential Spreadsheets (*1)
A. Condo Review Spreadsheet
B. Residential Review Spreadsheet
C. Residential Land Review Spreadsheet
16 Check Land Methodology (gies) used for Apt, CI, & Mixed Use Classes X
Sales Comparison (Vacant Land Sales)
Abstraction (Land Residual) (A-9)
Allocation (A-11)
Land residual capitalization (A-12)
Capitalization of ground rent (A-13)
Residential applied (e.g. rural communities)
Other
17 Apartment & Commercial Land Tables (*1 and/or *2)
18 Apartment & Commercial Cost & Depreciation Tables - Including CI Cost Development - (*1 and/or *2)
19 Apartment & Commercial Neighborhood Map @ the beginning of the certification review (*2)
20 Capitalization Rate Development & Support (*2)
21 Economic Rent, Expense, & Vacancy Analysis (*2)
A. Include the number of I&E's received for 111's, 112's, Mixed Use (013's, 031's) and C&I's
22 Economic Rent, Expense, Vacancy, & Cap Rate Tables (*2)
23 Review CI, APT & Mixed Use Spreadsheets (*1):
A. Commercial & Industrial Review Spreadsheet
B. Commercial & Industrial Income Review Spreadsheet (include correlation with cost approach)
C. Commercial & Industrial Land Review Spreadsheet
D. Apartment Review Spreadsheet
E. Apartment Income Review Spreadsheet (include correlation with cost approach)
F. Apartment Land Review Spreadsheet
G. Mixed Use Review Spreadsheet
H. Mixed Use Income Review Spreadsheet
I. Mixed Use Land Review Spreadsheet
24 Specialty Appraisals (*2)
25 Top Five Taxpayers (*2)
A. List the Top Five Taxpayers of the last Fiscal Year and compare to proposed values.
(Do not include classes 504-508. Include the use code, current value and proposed value.)
B. Provide the PRC's for each of the Top Five.
26 Exempt Spreadsheet (*1)
27 Chapter Land - provide access to liens for review
A. FVAC values have been updated
28 Personal Property:
A. Provide access to Personal Property Cost & Depreciation Tables
B. Provide access to Personal Property Record Cards or Account listings
C. Second Home Analysis (*1 and/or *2)
D. How many Forms of List: returned, inspected, estimated by model? (*1 and/or *2)
E. Provide access to Standard CAMA Reports by Old to New: Listing by Business, Owner, and Address
29 Generating Plant Valuation : FMV (*2)
30 Generating Plants - PILOTS: (38h)
31 Utility Valuation (504)
32 Visit History or Last Inspected Report
33 Copy of Board of Assessors property record cards and assessing staff

Date Received

RECOMMENDED REPORT SPECIFICATIONS FOR CERTIFICATION REVIEW

Overview

These specifications detail the recommended report information and analysis data that will need to be made available to your certification advisor. It is recommended that the documentation submitted for the certification review include the content, statistics, and data characteristics in the required formats following the suggested spreadsheet column headings. During the scheduled meeting with your certification advisor to plan for certification review you may discuss the specific content appropriate for your community as local property types and market trends may indicate the need for additional review and analysis data or may indicate that a listed report may not be relevant.

Each item contains a brief description, stratifications and sort orders, recommended file layout, format requirements, and statistics to be included. The Certification Standards should be referred to for all statistical analysis requirements. For ease of use, the required Certification Review Documentation has been designed to flow with the Certification Checklist found in the Commonly Used Forms.

Common Terms

The parcel identification referenced throughout these specifications will be referred to as the **MBLU** and must contain all components of the unique identification assigned to a parcel.

MBLU = all designations for map, block, lot, and unit

The assessment to sale ratio, referenced throughout these specifications, will be referred to as the **ASR**. This is the measure of the proposed assessment divided by the sale price or the time adjusted sale price. *ASR = (proposed assessment ÷ sale price or TASP, the time adjusted sale price)*

The **Value Change Percent**, referenced throughout these specifications, is calculated by taking the difference between the proposed new value and the prior year value and then dividing that difference by the prior year value.

Value Change Percent = ((proposed assessment-prior year value) ÷ prior year value)

II. Assessment to Sale Ratio Studies

Assessment to sale ratio (ASR) studies has a wide range of uses for various parties. In the certification process they are used to determine if the proposed property assessments produced by the valuation system meet the requirements found in the Certification Standards for levels of assessment and uniformity. The amount of market activity and the nature and characteristics of a community will influence varying needs and types of ratios studies.

Stratifications and Sort Order: An analysis should be presented for each property use code with valid sales. For the predominant class in the community and for property uses with sufficient sales, at minimum stratify by building style, neighborhood/site index, age groups, sale price and sale date quartiles or halves, and other influences such as water, views, traffic, etc. Other stratifications could include construction grade, square feet of area (living, gross, rentable, or land), and condition or effective age. It may also be necessary to combine stratifications.

Stratifications for residential condominiums include complex /neighborhood and other influences such as condominium style, unit location, number of bedrooms, finished basement, etc.

Recommended File Layout

MBLU	Street #	Street	GIS Location ID	Use Code	NBHD or Site Index	Zone	Land Size	Bldg Style	Story Height	SFLA	Grade	Year Built	Condition /EYB	Total Proposed Value	Sale Date	Sale Price	TASP	ASR	ABS DEV

Recommended File Layout- Condominium

MBLU	Street #	Street	GIS Location ID	Use Code	Complex Name	Complex Code or NBHD	Market Adjustment	Location Adjustment	Condo Style	Story Height	SFLA	# Bdrms	Grade	Year Built	Condition/ EYB	Total Proposed Value	Sale Date	Sale Price	TASP	ASR	ABS DEV

Format: electronic in Excel preferred, .pdf, .jpg, or printout accepted

Statistics: The results of each ratio study should include median, coefficient of dispersion, and count. Other statistics to consider are the mean and the price related differential.

III. Neighborhood Maps

A neighborhood map is a map depicting all neighborhood delineations including sub-neighborhoods, site indexes, and locational variables and adjustments used to price land that meet the definition of a neighborhood. The neighborhood map must be presented in a sufficient size and with a color composition that will clearly distinguish each of the neighborhood delineations. The neighborhood map should include annotations of street names and a legend identifying the neighborhoods. If available, the neighborhood map should be prepared using integrated CAMA system parcel data and GIS mapping. Consideration should be given to preparing separate maps for the residential and commercial/industrial land schedules depending on the communities parcel make-up and number of neighborhoods. Mapping of condominium neighborhoods should be discussed with the certification advisor.

Format: electronic preferred in .pdf, .png, or .jpg, printout accepted

IV. Land Analysis and Documentation

Land Pricing Instructions

Land pricing instructions should be provided describing the method of pricing for all lot types formatted, including primary lot, excess or residual land, secondary or front foot lots, and unbuildable land as well as how neighborhood and modifier adjustments are applied.
Format: electronic preferred in Excel, Word, .pdf, or .jpg, printout accepted

Land Pricing Tables

A copy of all the land pricing tables from the CAMA system (including residential, apartment, and commercial and industrial tables) must be provided showing all land types used including primary, secondary, front foot, excess, per-unit, residual, undevelopable, wetland, etc. The land tables must show the base land prices, unit types, all neighborhood adjustments and site modifiers for ranges used by the CAMA system for each land type. A copy of the tables for all condominium locational factors should also be provided to the certification advisor.

Format: electronic preferred as CAMA system export in .pdf or .jpg, printout accepted

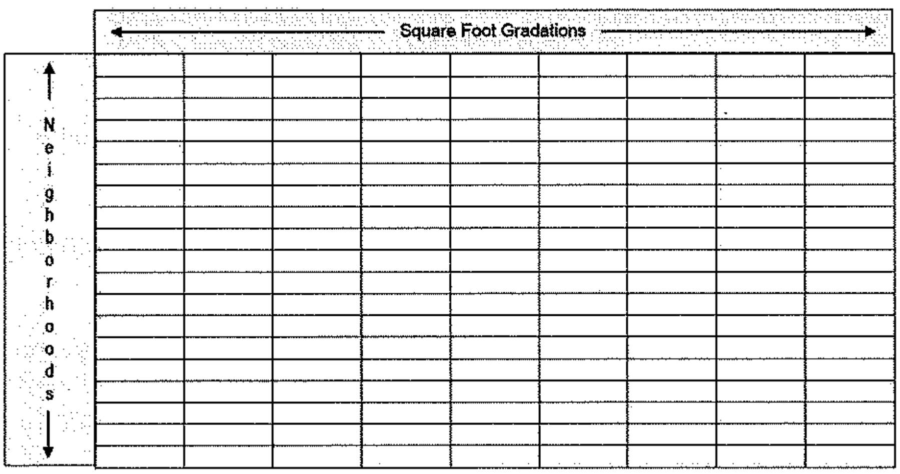
Land Pricing Schedule

Referred to as **Land Form 1**, each different base land price of the primary land type should be shown on the land pricing schedule by listing the value of each incremental land size gradation up to the maximum size covered by the land schedule. Land form 1 should also be provided for the commercial and industrial primary land schedule and any other land schedule types.

Recommended File Layout- Land Form 1

Format for Land Schedule Submission

Submission is to be made in Excel Format



Square Foot Gradations should be incremental have a range starting, at least, at 5,000sf and continue, at least, up to the maxim square footage required for a primary lot within each neighborhood.

A. Gradation intervals should contain, at least, principle break points as applicable to the municipality. These could be 1000sf, 2000sf, 2500sf or other intervals as applicable to the zoning or custom.
B. If the size of the prime lot varies by zoning and zoning can vary within a neighborhood then the schedule should separate each neighborhood into the various allowable zones.
If a neighborhood has two separate zones then it should be broken down into two separate lines. (For example: Neighborhood 3, Zone 10,000sf should be one line and Neighborhood 3, Zone 20,000sf should be another line)

Format: electronic in Excel

V. Land Analysis Studies

B. Vacant Land and "P" sales

The vacant land sale ratio study shows how the proposed land assessments compare to vacant land sales or alternate indicators of value. To support land values, an adequate number of sales and sufficient data are required for each stratification of the land pricing schedule.

Stratifications and Sort Order: The basic stratifications for the land sales analysis include all vacant land sales, "P" sales and all vacant and "P" sales combined. *("P" sales are sales of land which was valued and classified as vacant land at the time of the sale and then subsequently improved as of the January 1st assessment date.)*
The ratio study should be stratified by neighborhood delineation including all land factors, modifiers, sub-neighborhoods, site indexes, and other locational variables used to price land. Other stratifications include property use code, land influence adjustments, lot size, and land types such as front foot, secondary lot, and per-unit price.

Recommended File Layout

MBLU	Street #	Street	GIS Location ID	Use Code	NBHD or Site Index	Zone	Land Size	Prior Assessed Value	Proposed Assessed Land Value	Value Change Percent	Sale Date	NAL Code	Sale Price	TASP	ASR (Proposed Land Value to Sale Price)

Format: electronic in Excel preferred, .pdf, .jpg, or printout accepted

Statistics: The results of each ratio study should include median, coefficient of dispersion, and count.

C. Residual or Abstraction Analysis

In addition to or in the absence of sufficient vacant land sales, alternate land valuation methods may be used including residual analysis also referred to as abstraction to support proposed land values.

Residual analysis uses the sale price of an improved parcel minus the replacement cost new less depreciation of all of the improvements to arrive at the indicated land value. Building costs should be at 100% of market value and be based on updated cost tables as of the January 1 valuation date. A residual analysis should include all sales of improved residential property uses which have a land value component. Any sales trimmed from the residuals analysis should be flagged in the analysis so they can be reviewed by the certification advisor.

Stratifications and Sort Order:

1. By neighborhood delineation (or other applicable land factor)
2. Less than or equal to standard prime lot size or zoning if applied
3. Greater than standard prime lot size or zoning if applied
4. If excess land prices vary by neighborhood, also stratify by greater than standard prime lot size or zoning if applied and neighborhood delineation

Recommended File Layout

MBLU	Street #	Street	Use Code	NBHD or Site Index	Zone	Land Size	Land Adjustments	Proposed Land Value	Bldg Style	Story Height	SFLA	Grade

Year Built	Condition /EYB	RCNLD*	Sale Date	Sale Price	Indicated Land Value**	Land Residual Ratio***	ABS DEV	Prior Assessed Land Value	Value Change Percent

**RCNLD must include total value of all improvements including buildings, outbuildings, and special features*
***Indicated Land Value= Sale Price minus RCNLD*
****Land Residual Ratio=Proposed land value divided by indicated land value*

Format: electronic in Excel

Statistics: The results of each ratio study should include median, coefficient of dispersion, and count.

VI. Land Line Review

This spreadsheet is composed of the land line segmentations for every parcel in the community, with each segmentation being a data row/line. It is used by the certification advisor to review parcel data, proposed land assessments, and to check the application of the various land schedules and adjustments for consistency.

Recommended File Layout

MBLU	Street #	Street	Use Code	Zone	Land Size	Line #	NBHD or Site Index	NBHD Factor	Segment Type*	Unit Type**	Segment Size

Base Unit Price	Adjust-ments ***	Land Segment Value	Total Land Value	Sale Date	NAL Code	Sale Price	TASP	ASR	Prior Assessed Land Value	Value Change Percent

**Primary, secondary, residual, excess, front foot, etc.*
*** Square feet, acres, number of units, etc.*
****Adjustments include influences, modifiers, conditions, factors and conditions. Provide as many columns as needed to list all adjustment types and factors separately.*

Format: electronic in Excel

VII. Building Pricing and Depreciation Schedules

B. Cost Approach

The certification advisor must be provided a copy of all cost pricing and depreciation schedules for all property classes along with any necessary supporting documentation. Cost schedules include base building cost rates, special features, yard items, and condominium adjustments.
Any factors or coefficients used to adjust values from the base schedules must be separately documented. Examples are size adjustments, building construction quality grading, condition and effective year and subarea adjustments.

Format: electronic preferred as CAMA system export in .pdf or .jpg, printout accepted

VIII. **Multiple Regression Analysis**

The following items are needed as minimum documentation for the Bureau to properly evaluate the multiple regression modeling process:

1. definition of neighborhoods and/or modeling regions
2. narrative overview of the modeling process
3. description of process data stratification and sub-model development
4. definitions of all data elements
5. definitions of data transformations
6. methods used in time adjusting sales
7. appropriate statistics and program outputs used in the modeling process:
   a) coefficient of determination (R2)
   b) standard error of the estimate
   c) coefficient of variation (COV)
   d) average percentage error
   e) F statistic
   g) residuals, or plotback report
   h) distribution analysis of variables & candidate variables
8. data editing methodology
9. sales screening methods, including documentation for sales reported on the sales reports (LA-3) but excluded from modeling process.

Format: electronic preferred in Excel, Word, .pdf, or .jpg, printout accepted

IX. **Condominium Review**

This spreadsheet contains the inventory of condominium use parcels in a community and is used by the certification advisor to review parcel data and proposed assessments. It includes data specific to condominium properties.

Stratifications and Sort Order: In communities with condominiums in various property classes, consideration should be given to preparing separate reports by property class.

Recommended File Layout

MBLU	Street #	Street	Use Code	Complex Name	Complex Code or NBHD	% Common Interest	Complex Amenities	Market Adjust-ment	Location Adjust-ment

Condo Style	Style Adjust-ment	Story Height	SFLA	Grade	Year Built	Condition /EYB	# Rooms	# Bdrms	# Full Baths	# Half Baths

Proposed Total Value	Sale Date	NAL Code	Sale Price	TASP	ASR	Prior Assessed Value	Value Change Percent

Optional fields are:

Outbuildings Special Features*	View Factors	Finished Basement Area	Extra Fixtures	Assessed Value per SF	Sale Price per SF

**Garages, Parking Spaces*

Format: electronic in Excel

X. Residential Review

This spreadsheet contains the inventory of residential use parcels in a community and is used by the certification advisor to review parcel data and proposed assessments. Parcels with more than one building or structure may be displayed in multiple rows/lines in the report with a row/line for each building. This spreadsheet may also contain the complete parcel inventory of all property uses in a community including exempt depending on the capability and structure of the communities CAMA system.

Recommended File Layout

MBLU	Street #	Street	Use Code	Zone	NBHD or Site Index	Land Size	Building Style	Story Height	SFLA	Grade	Year Built

Condition /EYB	Physical Dep.	Economic Dep.	Functional Dep.	Other Dep. /Percent Complete	RCNLD	Outbuilding Special Feature Value	Land Value	Total Building Value

Total Proposed Value	Sale Date	NAL Code	Sale Price	TASP	ASR	Prior Total Assessed Value	Value Change Percent

Format: electronic in Excel

XI. Apartment, Mixed Use, and Commercial & Industrial Land Methodology

A brief explanation should be prepared for the certification advisor detailing the development of the pricing methodologies used to develop land valuations for the certification year for the apartment, mixed use, commercial, and industrial classes.

To support proposed land values, consideration should be given to using one or more of the various land valuation methods including:

- Sales Comparison- vacant land sales
- Abstraction
- Allocation
- Land residual capitalization
- Capitalization of ground rent
- Residential applied (rural communities)
- Anticipated use
- Other

Format: electronic preferred as CAMA system export in Excel, Word, .pdf, or .jpg, printout accepted

XII. Income Approach Schedules

The certification advisor must be supplied with copies of the various schedules used in the income approach including economic rent, vacancy rates, expense adjustments, and capitalization rates.
Factors used to adjust values from the base schedules for economic rent, vacancy rates, and expenses should be separately documented. Explanations for all the various adjustments to base capitalization rates should be provided by property type. If a method other than market is used to develop the capitalization rates, documentation should be included showing how the selected method and various rates used were developed.

B. Income and Expense Form Tracking

Maintenance of a tracking spreadsheet for income and expense forms will allow for both the community and certification advisor to have information regarding the mailings and returns which are reported on the Community Certification Report.

Stratifications and Sort Order: Report may be sorted by property class use code.

Recommended File Layout

MBLU	Street #	Street	Use Code	Owner	Mail Street1	Mail Street2	City	State	Zip Code	Mailing Date 1	Return Flag 1	Mailing Date 2	Return Flag 2

Format: electronic preferred in Excel, Word, .pdf, or .jpg, printout accepted

Statistics: The results of the tracking should include counts and return rate.

C. Development of Economic Rent using Income and Expense Analysis

This spreadsheet will detail and document the development of the proposed rents, vacancy, and expense and their respective adjustments. It must contain sufficient information to support the proposed rates and adjustments for each property type.

Stratifications and Sort Order: Report should be sorted by property class use code.

Recommended File Layout- Apartment

MBLU	Street #	Street	Use Code	# of Units	Unit Type or Floor Location	Bedroom Count	Rent per Unit	Gross Rent	Actual Vacancy Rate	Actual Expenses Rate	Indicated NOI	Notes

Recommended File Layout- Commercial, Industrial, Mixed Use

MBLU	Street #	Street	Use Code	NBHD or Site Index	Use Code of Tenant	Lease Date	Lease Term	Leased Area	Actual Rent

	Actual Rent per SF	Actual Vacancy Rate	Actual Expense Amount	Actual Expenses Rate	Other Income	Indicated NOI	Notes

Format: electronic in Excel preferred, .pdf, .jpg, or printout accepted

Statistics: The results of each study should include median, mean, and count.

XIII. Development of Capitalization Rate

An analysis must be presented to show the development of the capitalization rates used for each residential, apartment, mixed use, commercial, and industrial property uses valued by the income approach.

B. Market (Overall) Approach

This spreadsheet documents the development of the capitalization rates used for each residential, apartment, mixed use, commercial, and industrial property use valued by the income approach.
The indicated overall market cap rate is derived from dividing the reported net operating income by the sale price.

Recommended File Layout- Apartment Use

MBLU	Street #	Street	Use Code @Sale	# of Units	Reported Annual Income	Gross Income per Unit	Reported Vacancy	Reported Expenses	Indicated NOI	Sale Date	Sale Price	Overall Cap Rate

Recommended File Layout- Commercial, Industrial, Mixed Use

MBLU	Street #	Street	Use Code @Sale	NBHD or Site Index	Leased Area (GLA)	Reported Annual Income	Gross Income per SF	Reported Vacancy	Reported Expenses	Indicated NOI	Sale Date	Sale Price	Overall Cap Rate

Format: electronic in Excel preferred, .pdf, .jpg, or printout accepted

C. Band of Investment Approach

Another method to develop overall capitalization rates is the band of investment technique using mortgage debt and equity components. The sum of the debt and equity portions must total 100%.
The debt and equity portions are each multiplied by their respective rates to calculate their weighted rates which are summed to arrive at the unloaded capitalization rate. The effective tax rate, being the property class tax rate from the prior fiscal year, is then added to the discount rate to arrive at the loaded capitalization rate.

Stratifications and Sort Order: property use code

Recommended File Layout

Property Types Description	Example: Office
Use Code	340
Data Source	Industry
Loan to Value Ratio (a)	0.75
Debt Rate (b)	0.085
Weighted Debt Rate (a*b)	0.06375
Equity Portion (c)	0.25
Equity Yield Rate (d)	0.12
Weighted Equity Rate (c*d)	0.03
Basic Cap Rate	0.09375
Effective Tax Rate	0.015
Overall Cap Rate	0.10875
Cap Rate	**10.9%**

Format: electronic preferred in Excel, Word, .pdf, or .jpg, printout accepted

XIV. Apartment, Mixed Use, and Commercial & Industrial Review

B. Correlation of Approaches to Value

This report is used by the certification advisor to review the correlation between the two required approaches to value to be developed and applied to all properties bought and sold on investor' expectations. This report should also show the calculated proposed value by each approach (cost or market adjusted cost, income, and market), which approach to value was selected, property sales, and the value change percent.

Stratifications and Sort Order: Report should be produced for each property class use for 013, 031, 111, 112-121, 300's, 400's (as applicable).

Recommended File Layout

MBLU	Street #	Street	Use Code	NBHD or Site Index	Land Size	Bldg Style	Leased Area or # Units	Outbuilding Special Feature Value	Land Value	Building Value	Proposed Value Cost Approach

Proposed Value Income Approach	Proposed Value Market Approach	Selected Value Approach	Total Proposed Value	Correlation Ratio of Value Approaches	Sale Date	Sale Price	NAL	TASP	ASR	Prior Total Assessed Value	Value Change Percent

Format: electronic preferred as CAMA system export in Excel, .pdf, or .jpg, printout accepted

Statistics: The results of each ratio study should include median, coefficient of dispersion, and count.

C. Income Detail Review

The income detail review report is used to demonstrate the parcel data, rates, and adjustments used in the development of each approach to value. The certification advisor reviews the report to check that the rates and adjustments used are reasonable and comparable to the developed income schedule.

Stratifications and Sort Order: Report should be produced for each property class use for 013, 031, 111, 112-121, 300's, 400's (as applicable).

Recommended File Layout

MBLU	Street #	Street	Use Code	NBHD or Site Index	Grade	Condition /EYB	Gross Building Area	# of Units	Net Leasable Area per Unit	Use by Unit	Economic Rent per Unit

Gross Rent	Vacancy Rate	Expense Rate	NOI	Cap Rate	RCNLD	Outbuilding Special Feature Value	Land Size	Total Land Value	Income Approach Value	Final Proposed Assessed Value

Format: electronic preferred as CAMA system export in Excel, .pdf, or .jpg, printout accepted

Statistics: The review report should include counts.

XV. Exempt Review

This spreadsheet contains the inventory of exempt use parcels in a community and is used by the certification advisor to review parcel data, proposed assessments, and value percent changes.

Recommended File Layout

MBLU	Street #	Street	Use Code	Zone	NBHD or Site Index	Land Size	Grade	Year Built	Condition /EYB	Physical Dep.	Economic Dep.	Functional Dep.	Other Dep. /Percent Complete	RCNLD	Outbuilding Special Feature Value	Land Value	Total Building Value	Total Proposed Value	Prior Total Assessed Value	Value Change Percent

Format: electronic in Excel

XVI. Top Five Taxpayers Report

The top taxpayer report is reviewed by the certification advisor to see how the revaluation affects the proposed assessments of the highest tax paying valued property owners. The criteria for the top five taxpayers report emphasize ownership and amount of taxes value. For purposes of this report, a taxpayer is the assessed owner of a parcel/account or of multiple parcels/accounts having the same exact legal ownership. Communities with split tax rates must apply the prior year tax rates from the appropriate property classes to the prior year values to calculate the top taxpayers. The report includes both real and personal property with the exception of property use codes 504-508. The top taxpayer report is not a list of highest assessed parcels.

Stratifications and Sort Order: The report should be sorted by prior year (current) total value beginning with the highest.

Recommended File Layout

Owner	MBLU or Account #	Street #	Street	Use Code	Prior Total Value	Proposed Total Value	Value Percent Change	Taxpayer Rank	Notes*

**Taxpayers with a value percent change > 10% from the average percent change of their respective property class require an explanation to be provided.*

Format: electronic in Excel preferred, Word, .pdf, .jpg, or printout accepted

XVII. Visit History or Last Inspected Report

This report is requested to show the status and progress of a communities required cyclical inspection programs which are tracked on the Revaluation Workplan. The report should be produced for all taxable and exempt non-vacant parcels.

Stratifications and Sort Order: Sorts should be discussed with the certification advisor. The ability to sort this report by location and state use code is preferred.

Recommended File Layout

MBLU	Street #	Street	Use Code	Assessed Value	NBHD or Site Index	Date Last Inspected	Inspection Type	Inspection Result

Format: electronic preferred as CAMA system export in Excel, .pdf, or .jpg, printout accepted

XVIII. Personal Property

B. Account Review

During the personal property certification review, the certification advisor must be provided with copies of personal property cost tables and depreciation tables. Available for review should be documentation including Forms of Lists, personal property record cards showing all taxable items with descriptions, status, age, replacement cost new, depreciation, depreciated value, and the proposed value of each item. The certification advisor will review the report by business type, use code and growth value to check for consistency and if the proper item is being assessed in relation to their property class.

Stratifications and Sort Order: Sorts should be discussed with the certification advisor. The ability to sort this report by business type, use code, growth value, and value change is preferred.

Recommended File Layout

Account ID #	Business Name/ DBA	Owner	Business Type	Location	Use Code	Machinery/ Equipment Value	Furniture & Fixtures Value	Inventory Value	Growth Value	Proposed Total Value	Prior Value	Value Change Percent

Format: electronic preferred as CAMA system export in Excel, .pdf, or .jpg, printout accepted

Statistics: The report should include counts, total prior values, and total proposed values.

C. Second Home Study

In communities with second or summer homes, a second home study must be provided for review by the certification advisor **every 5 years correlating with a community's revaluation cycle**. A detailed analysis of the data compiled from property owner returns of State Tax Form 2HF is used to develop the second home study. The allocation ratio is derived by dividing the personal property reported value by the assessed building value of the real estate parcel.

Recommended File Layout

PP Account ID #	MBLU (Real Estate Parcel)	Street #	Street	Reported Value Contents of Second Home	Assessed Building Value (Real Estate)	Allocation Ratio	Proposed Value PP Account

Format: electronic in Excel preferred, Word, .pdf, .jpg, or printout accepted

For Assistance or Guidance

Contact your BLA Community Advisor
Or Email us at
bladata@dor.state.ma.us

EXEMPTIONS CHEAT SHEET

Clause 37, **$437.50** 37A **$500** EXEMPTION **LEGALLY BLIND PERSONS**

Eligibility Requirements:

1. Evidence of domicile ownership and occupancy
2. Proof of Legal Certificate of Blindness

Clause 17D **$175** **SENIORS AND SURVIVING SPOUSES**

Eligibility Requirements:

1. Birth Certificate/ Must be 70 or be a surviving spouse.
2. Must own and occupy domicile for minimum of 5 years.
3. Bank and other account statements required /cannot have more than $40,000 in assets.

VETERANS EXEMPTIONS

Clause 22, **$400** 22A,**$750** 22B $**1,250**, 22C$ **1,500** 22D Full,22E **$1000**

Eligibility Requirements:

1. Veterans service-connected disability of 10% or more.
2. Honorable discharge required (DD214)
3. Veterans awarded Purple Heart
4. Gold Star Parents
5. Certified letter of disability from the VA
6. Surviving spouses who have never re-married

Clause 41 **$500** **SENIORS CITIZENS**

Eligibility Requirements:

1. Birth Certificate: Must be 65 or over
2. Income must be **no more** than $18,204 single / $21,004 married
3. Income includes: Social security, private pensions, rental income.
4. Prior year income tax returns required
5. Must own and occupy domicile for minimum of 5 years.
6. Assets can exceed $28,000 single / $30,000 married
7. Bank statements from savings checking, etc, are required. Statements must reflect July 1st balances.

Deadlines for all applications is April 1st.