

Assessment versus Market Value

Property assessments should be fairly representative of market value as of April 1st of a property value update/revaluation year (Lyme's last revaluation was as of April 1, 2016). Because residential sales are significantly impacted on emotional likes and dislikes of buyers, there is no one right number, but rather a range of numbers depending on the negotiations and motivations of the buyers and sellers involved in a transaction.

Commonly accepted industry practices indicate 10% plus or minus is reasonable in value estimates, as multiple appraisers and/or assessors giving an opinion of market value of the same property will vary lowest to highest by as much as +/- 10%. It is an informed opinion of an imperfect real estate marketplace and those professional opinions do contain some element of subjectivity, whether the appraisal is done for lending purposes, or for governmental valuation purposes.

Due to the recent increase in the real estate market, taxpayers for the first time, in a long time, are typically seeing that their assessments are lower than what they could sell their property for (market value). This in and of itself does not invalidate the assessments or indicate they are wrong or unfair, when accounting for the total assessment to sales ratio.

Every year the State of New Hampshire, Department of Revenue Administration (DRA), calculates an equalization/assessment ratio. This ratio represents the difference between assessments and arms-length market transactions (sales). The following hypothetical example can help you decide if your assessment is relatively fair:

I live in Any town, NH. For as of April 1, 2017, the DRA published the median ratio for my town at 94% and the assessment on my home is \$300,000. Similar homes to mine are selling today (June 2018) for \$330,000 (+/-). It would appear that I am under assessed, but am I?

To determine the Town's indicated market value of my home, I must take the assessment of \$300,000 and divide it by the ratio of .94 which produces an indicated market value of \$320,000 as of April 1, 2018. This number is lower than the June sales of \$330,000, but still provides some level of confidence that the assessment is fair and equitable as it is within 10%. If homes are selling at \$320,000 and your's is very similar and your equalized assessment (assessment divided by ratio) is within 10% (\$ 300,000 to \$360,000), then your assessment would appear reasonable.

The concept that the 10% practice is accepted as reasonable is enshrined in the State of NH's Assessing Standard Board's recommended guideline, market value is defined as between 90% and 110% of market value. As long as most all properties are being assessed similarly/proportionally, the assessments, even if they are higher than the current market value, are considered to be fair and equitable because most everyone is being treated the same. As such, to reduce all assessments to the current real estate market, to bring assessments back to 100%, would not necessarily shift (lower) tax burdens as the tax rate would have to increase to meet the same voter approved spending, the town and school budgets.

Assessments are arrived at as of a date certain (April 1st in New Hampshire communities) of a given year. However, the real estate market is constantly fluctuating the other 364 days of the year, making comparisons of assessments and sales very difficult for many taxpayers. Here in Lyme, the 2018 ratio was 94%.

The Town is scheduled to conduct a Property Assessment Update in 2021.

This paper was originally written by
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