



**Department of
Taxation and Finance**

Overview of the Full Value Measurement Process

ORPTS Processes and Programs

Overview of FVM Process and Methods

- Equalization
- FVM process and methods
- Market analysis overview
- Sample appraisal process
- Reassessment review

State Equalization Rate

- Equalization Rate =
$$\frac{\text{Sum of Assessed Value}}{\text{Sum of Full Value}}$$
- Locally assessed, taxable portion of Roll
- Represents the overall ratio

Equalization is a two step process:

- Step 1: Local Assessment
 - Assessments are equitable within municipality, within classes, between classes.
- Step 2: State Equalization
 - Apportionment among cities and towns in joint taxing jurisdictions is fair.

State and Local Equalization

Local	State
<ul style="list-style-type: none">• Individual parcels	<ul style="list-style-type: none">• Aggregate parcels
<ul style="list-style-type: none">• Parcel to parcel	<ul style="list-style-type: none">• Assessing unit to assessing unit
<ul style="list-style-type: none">• Within assessing unit	<ul style="list-style-type: none">• Between assessing units



Local Role

- RPTL requires assessors to:
 - Keep assessments uniform as of the valuation date (§301, §305);
 - Sign an oath that the assessments are uniform (§ 505);
and
 - State the Level of Assessment (LOA) on the tentative roll (§ 502)
 - Report and make available for review Inventory and Valuation (sales) information (§500,§501)
 - Transmit sale information and corrections (§574)

State Role – Full Value Measurement

- ORPTS is obligated to conduct a full value measurement (FVM) of each assessing unit
 - Make an estimate based on sound, generally accepted standards; or
 - Verify independently the level of assessment stated by a locality
- LOA verification
 - When the LOA is confirmed – within prescribed limits – it becomes the equalization rate

FVM Process – Property Types

- Assessment rolls are analyzed by broad property types
 - Major Type A – residential
 - Major Type B – commercial/industrial
 - Major Type C – vacant, farm and forest
 - Major Type D – utility property
- Separate full value estimates and ratios are determined for each major type

FVM Process – Major Type Sampling

- The Major Types to be “sampled” in a municipality are determined as follows:
 - Major types are arranged in decreasing order of their percentage of municipal total assessed value
 - Select each major type in decreasing order until the selected major types total 80% of the municipal total assessed value, with some exceptions...

FVM Process – Major Type Sampling

- Exceptions to the 80% criteria:
 - If the largest percentage major type is 80% or more, the next largest is also selected
 - If the largest and next largest are 80% or more and one of these is type D, the third largest major type is also selected (provided that it is at least 5% or more)
 - Any major type that is 10% or more is selected

FVM Valuation Date

- Valuation date: the point in time at which market values or levels are determined for assessment cycle
 - Preceding July 1 for most towns

- ORPTS uses July 1 of the year prior to the equalization rate year

Full Value Measurement Methods

- ORPTS determines municipal full value using one or more of the following approaches
 - Market Analysis
 - Development of market adjustment factors (trends); applied to prior year full value estimates
 - Determination of CAMA and/or Sales Ratios for residential property (IAAO Standards)
 - Appraisal of sample parcels in localities where there has not been a recent reassessment and/or for property types lacking sufficient sales or data for reliable ratio studies in any major type
 - Review and analysis of local reassessment results

Market Analysis – Market Areas

- Market Areas must be delineated (see map)
- Composed of municipalities with common economic influences, that would be expected to demonstrate similar movement in aggregate value over time.
- Need sufficient sales to yield statistically reliable results

Residential (MTA) Market Analysis

- Components of Process:
 - Trend Development (see “Trend Development”)
 - Model Development
 - Model Application
 - Sale Ratio Study
 - SPDAV Analysis
 - CAMA Ratio Study

Residential – Sales Used

- Time frame of sales used:
 - For time trends and CAMA modeling:
 - Typically, only the most recent 3 years are used (but can use up to 5 years if needed).
 - For municipality's Sales Ratio study:
 - 1, 2 and 3 year sales ratio studies are completed (but can use up to 5 years if needed).
 - The results from the statistically significant study with the fewest years of sales are used.

Sample Appraisal Process

- Overview of the “Survey” process
 - Random samples of properties are selected from one or more classes
 - Properties appraised using traditional approaches
 - Relationship between assessments and market value used to determine overall assessment level of class

Sample Selection Process

- Samples are selected from the latest available final roll file
 - i.e., the final roll 2 years prior to the equalization rate year
 - Provided to regions in spring

- In order to draw a statistically valid sample, ORPTS will classify and stratify the roll so that all types of property and assessed/market values are represented

Value Stratification

- Within each major type, assessments are arrayed (sorted) by value, and a specified number of “value intervals” of roughly equal total value are determined (the lowest value interval may be split into 2 intervals)
 - A specified number of parcels for each major type are selected within each interval

Reassessment Review

- ORPTS may use the results of a reassessment in the determination of the equalization rate
- The “Local Reassessment Project Review and Analysis” process is used to determine:
 - Whether the reassessment was performed in accordance with recognized standards
 - The level of assessment for each major type on the tentative roll
 - Whether the project met state aid requirements when the assessing unit is applying for state aid

Reassessment

- According to RPTL 102 (12a), “Revaluation”, “reassessment” or “update” is a systematic review of the assessments of all locally assessed properties, valued as of the valuation date of the assessment roll containing those assessments to attain compliance with the standard of assessment set forth in subdivision two of section three hundred five of this chapter.

Systematic Review

- A reassessment involves an analysis of all assessments compared to the current market, and then taking the necessary steps to achieve equity and/or a certain LOA
- The analysis – which should be done at the smallest “group” level possible – will indicate which method (reappraisal or trending) can be used to achieve the goals for each group

Reassessment Methodology

- If the analysis indicates that there is a lack of uniformity – or there is not enough data to draw that conclusion – a reappraisal must be conducted
 - Reappraisal means developing and reviewing a new determination of market value for each parcel, based upon current data, by the appropriate use of one or more of the three accepted approaches to value (cost, market, or income)

Reassessment Methodology

- If the analysis indicates that there is uniformity, the assessments can remain as is or trended to achieve the desired LOA
 - Trending refers to the application of an arithmetic factor to the assessments of a group of properties to reflect increasing or decreasing property values over a period of time

Project Review

- As part of the Aid requirements, RPTL 1573 (1) requires assessing units to provide a set of supporting valuation documents and files to ORPTS
 - ORPTS may request documentation that analysis was performed for assessing units that claim to be maintaining their LOA using non-reappraisal reassessment methodology