

18 DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

125 BUREAU OF REVENUE SERVICES

Chapter 201: RULES OF PROCEDURE USED TO DEVELOP STATE VALUATION

SUMMARY: This rule provides an overview of the annual State Valuation process conducted by Maine Revenue Services and provides clarification regarding the law governing State Valuation.

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.01 Scope of rule

This rule governs the method used by the Bureau to develop the annual State Valuation report. The State Tax Assessor may order or approve additional procedures to achieve the goal of Equalized Value, consistent with the intent of this rule and Maine law.

.02 Definitions

- A. Assessor.** “Assessor” means a sworn municipal assessing authority, whether an individual assessor, a board of assessors, or a chief assessor of a primary assessing area. With respect to the unorganized territory, “Assessor” means the State Tax Assessor.
- B. Average Deviation.** “Average Deviation” means a statistic derived from a Ratio Study that is calculated by summing the Deviations of all the Sales Ratios in a Ratio Study and dividing the resulting sum by the total number of Sales Ratios in that study.
- C. Average Ratio.** “Average Ratio” means a statistic derived from a Ratio Study that is calculated by summing the Sales Ratios in the central 70% of a Ratio Study and dividing that sum by the total number of Sales Ratios in the central 70%. The central 70% of a Ratio Study excludes the highest 15% of Sales Ratios and the lowest 15% of Sales Ratios from the total number of Sales Ratios in the Ratio Study.

- D. Base Lot.** “Base Lot” means a minimum parcel of land, as determined by the Assessor, normally expressed in acres or front feet, which meets municipal guidelines for development.
- E. Base Sales Period.** “Base Sales Period” means the 12-month period from July 1 through June 30 that includes the April 1 assessment date that is the basis for the State Valuation period under review.
- F. Bureau.** “Bureau” means the Bureau of Revenue Services, which may be referred to as Maine Revenue Services. The executive director of the Bureau is the State Tax Assessor.
- G. Captured Assessed Value.** “Captured Assessed Value” has the same meaning as provided in 30-A M.R.S. § 5222.
- H. Certified Ratio.** “Certified Ratio” means the level of Municipal Assessed Value, expressed as a percentage, relative to Just Value as certified by the Assessor pursuant to 36 M.R.S. § 383.
- I. Commercial Property.** “Commercial Property” means real estate that is used primarily for business purposes (e.g., service, retail, or wholesale) including, without limitation, apartment buildings with five or more rental or lease units, mobile home parks, office buildings, and recreational facilities. Apartment buildings with fewer than five rental or lease units are considered Residential Property.
- J. Condominium.** “Condominium” has the same meaning as provided in 33 M.R.S. § 1601-103(7).
- K. Current Use.** “Current Use” means a special valuation method applicable to certain types of property as provided by Article IX, section 8, subsection 2 of the Constitution of the State of Maine.
- L. Deviation.** “Deviation” means a statistic derived from a Ratio Study that is equal to the absolute value of the percentage-point difference between an individual Sales Ratio and the Average Ratio.
- M. Equalized Value.** “Equalized Value” means the Municipal Assessed Value adjusted to the Just Value or, if applicable, to the Current Use value.
- N. Industrial Property.** “Industrial Property” means property dedicated to the assembling, processing, warehousing, or manufacturing of finished or partially finished products from raw materials or manufactured parts.
- O. Just Value.** “Just Value” means market value, that is the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller for a property, each acting without compulsion in an arm’s-length transaction.

- P. Municipal Assessed Value.** “Municipal Assessed Value” means the property value established by the Assessor for purposes of local property taxation.
- Q. Municipality.** “Municipality” means any city, town, plantation, or that portion of a county in the unorganized territory.
- R. Non-segregated Ratio Study or Combined Study.** “Non-segregated Ratio Study” or “Combined Study” means a Ratio Study that combines more than one class of property (e.g., Waterfront Property, Nonwaterfront Property, Condominium, and Commercial Property) into a single study.
- S. Nonwaterfront Property.** “Nonwaterfront Property” means real estate that is not bounded by water and whose value is not measurably influenced by access or proximity to water.
- T. Personal Property.** “Personal Property” has the same meaning as provided in 36 M.R.S. § 601.
- U. Quality Rating.** “Quality Rating” means a statistic derived from a Ratio Study that is calculated by dividing the Average Deviation by the Average Ratio.
- V. Ratio Study.** “Ratio Study” means a statistical display of real estate sales information where sales data is typically arranged under some or all of the following headings: owner or class of property (e.g., Waterfront Property or Nonwaterfront Property); date of sale; book and page; tax map, plan, and lot number; selling price; Municipal Assessed Value; Sales Ratio; and Deviation. A Ratio Study typically also contains a summary that shows the Weighted Average, the Average Ratio, the Average Deviation, and the Quality Rating.
- W. Residential Property.** “Residential Property” means real estate that is suitable for seasonal or year-round use as a dwelling. Residential Property includes apartment buildings with fewer than five rental or lease units.
- X. Sample.** “Sample” generally means, for purposes of a Ratio Study, a sale of property, but may include appraisals conducted by the Bureau when the number of sales in an expanded sales period is insufficient.
- Y. Sales Ratio.** “Sales Ratio” means a statistic derived from a Ratio Study that is calculated by dividing a property’s Municipal Assessed Value by its selling price (or Bureau appraised value).
- Z. Segregated Ratio Study.** “Segregated Ratio Study” means a Ratio Study that includes sales of a single class of property (e.g., Waterfront Property, Nonwaterfront Property, Condominium, or Commercial Property).

- AA. State Valuation.** “State Valuation” for a given tax year means the total Equalized Value of all taxable property in a Municipality as of the April 1 two years prior, plus the portion of exempt value of homestead exemptions and Business Equipment Tax Exemption property reimbursed by the State to the Municipality pursuant to 36 M.R.S. § 691, et al., less the Captured Assessed Value of tax increment financing districts in the Municipality.
- BB. Transmission and Distribution Property.** “Transmission and Distribution Property” means property owned by a transmission and distribution utility that is regulated by the Public Utilities Commission under Title 35-A of the Maine Revised Statutes. Transmission and Distribution Property includes, without limitation, substations, transformers, transmission systems, and distribution systems.
- CC. Undeveloped Land.** “Undeveloped Land” means unimproved Nonwaterfront Property that is not classified under Current Use provisions, and not classified as a Base Lot. When a Municipality values Wasteland separately from Undeveloped Land, the Bureau will accept the separate valuations unless it determines that one or both valuations are significantly understated or overstated.
- DD. Wasteland.** “Wasteland” means real estate that is unsuitable for development or agricultural or silvicultural use (e.g., wetland, ledge, or other unsuitable land).
- EE. Waterfront Property.** “Waterfront Property” means real estate bounded by a body of water or waterway or real estate whose value is measurably influenced by its access or proximity to water.
- FF. Weighted Average.** “Weighted Average” means a statistic derived from a Ratio Study that is calculated by dividing the sum of Municipal Assessed Values by the sum of the sale prices or Bureau-appraised values of all the Samples in a Ratio Study.

.03 Ratio Studies

Ratio Studies used in the computation of State Valuation are created according to the following guidelines:

- A. Representative Sampling.** The number of Samples included in the Ratio Study must be sufficient to provide a reliable analysis. The Samples included in a Ratio Study must reasonably reflect the distribution in the Municipality of the property classes described in subsections .04(A) through (E). A minimum of 12 Samples is required for a Ratio Study.
- B. Segregated Ratio Studies.** Segregated Ratio Studies are used when the State Tax Assessor determines that the Samples do not reasonably reflect the distribution in that Municipality of property classes described in subsections .04(A) through (E). Segregated Ratio Studies are also used when the Average Ratios among the property

classes deviate by more than 10-percentage points. The State Tax Assessor requires a minimum of eight Samples within each class of property to conduct a Segregated Ratio Study.

- C. Expanded Sales Period.** If the Base Sales Period does not contain the minimum number of Samples required by subsections A or B, or if the State Tax Assessor determines that the Samples included in the Base Sales Period do not reasonably reflect the distribution in the Municipality of the property classes described in subsections .04(A) through (E), the Base Sales Period is expanded as follows:
1. An 18-month period that begins on the April 1 immediately preceding the April 1 assessment date under review and runs through September 30 of the tax year under review. For example, if the valuation period under review is based on an assessment date of April 1, 2019, the Base Sales Period is July 1, 2018 – June 30, 2019. The 18-month expanded sales period is April 1, 2018 – September 30, 2019.
 2. If an 18-month sales period does not yield the minimum number of Samples required by subsections A or B, Samples are drawn from a 24-month period that begins on January 1, 15 months prior to the April 1 assessment date under review, and runs through December 31 of the tax year under review. For example, if the valuation period under review is based on an assessment date of April 1, 2019, the 24-month expanded sales period is January 1, 2018 – December 31, 2019.
 3. The State Tax Assessor may expand the 24-month sales period described in paragraph 2 when the State Tax Assessor determines that additional Samples are needed to ensure that the Ratio Study is representative of the sales in that Municipality.
- D. Appraisals.** When the number of Samples during both the Base Sales Period and the expanded sales period are less than the minimum number required by subsections A or B, the minimum number of Ratio Study Samples is obtained by combining the available sales with appraisals conducted by the Bureau using the State assessment manual maintained by the State Tax Assessor pursuant to 36 M.R.S. § 331.
- E. Segregated Ratio Study Sales Periods.** Segregated Ratio Studies follow the expanded sales period procedure outlined above; however, the time frames for different Segregated Ratio Studies in each Municipality do not need to be the same. For example, a Segregated Ratio Study of residential Nonwaterfront Property may require only the Base Sales Period to meet the minimum number of Samples required by subsections A and B, whereas a Segregated Ratio Study of Commercial Property may need the 18-month expanded sales period to obtain the minimum number of Samples required by subsection B.

- F. Invalid Ratios; Amended Ratio Studies.** For cause, the State Tax Assessor may determine that an Average Ratio is invalid. Cause includes, without limitation, the use of “welcome stranger” assessments (where property values are adjusted only when properties are sold) and other assessing practices that result in inequitable valuations.

To determine the validity of Municipal Assessed Value information used in a Ratio Study, the State Tax Assessor compares the current year’s assessed value to the prior year’s assessed value for a random sampling of properties in the Municipality. This random sampling does not include properties where significant improvements to, or deletions from, the property have occurred from the prior year to the current year. The random sampling must exclude any property that was sold during the period covered by the Ratio Study. The random sampling is weighted to reasonably reflect the distribution in the Municipality of all of the classes of property described in subsections .04(A) through (E).

When the State Tax Assessor determines that a Ratio Study is invalid, the State Tax Assessor will adjust the Municipal Assessed Value of the Samples in the Ratio Study to develop an amended Ratio Study that the State Tax Assessor determines is a more reliable indicator of current assessment levels. The State Tax Assessor may consider sales data for transactions that have occurred after the expanded sales period to develop an amended Ratio Study.

.04 Computation of State Valuation

Specific adjustments to Municipal Assessed Value to determine State Valuation are described in this section. Not all of the adjustments described below pertain to all Municipalities, and the State Tax Assessor may make adjustments to classes of property not listed below to determine State Valuation.

- A. Transmission and Distribution Property.** The State Valuation for Transmission and Distribution Property is based on the declared value submitted to the Municipality by the electrical utility, unless the State Tax Assessor determines the electrical utility has significantly undervalued, overvalued, or omitted property.

B. Current Use Programs

- 1. Tree Growth.** The Equalized Value of land that is properly classified as forest land under the provisions of the Maine Tree Growth Tax Law is 100% of the applicable per-acre values determined by the State Tax Assessor in accordance with 36 M.R.S. §§ 576-577.
- 2. Farmland.** The Equalized Value of land that is properly classified as farmland is based on the per-acre rates prescribed by 36 M.R.S. §§ 1105 and 1119.

- (a) Except for farm woodland, the Equalized Value of farmland is the applicable full value per-acre farmland rate established by the Assessor.
 - (b) The Equalized Value of farm woodland is 100% of the applicable per-acre values determined by the State Tax Assessor in accordance with 36 M.R.S. §§ 576-577.
- 3. **Open Space.** The Equalized Value of land that is properly classified as open space, as defined under 36 M.R.S. § 1102(6), is based on the greater of:
 - (a) The value of open space land using one of the valuation methods under 36 M.R.S. § 1106-A; or
 - (b) The state rate for Undeveloped Land as described in subsection E below.
- C. **Commercial, Industrial, and Personal Property.** The Equalized Value of Commercial Property, Industrial Property, and Personal Property is calculated by dividing the Municipal Assessed Value by the:
 - 1. Certified Ratio, provided that ratio is not greater than 110% of the Average Ratio, or
 - 2. Average of the Certified Ratio and the Average Ratio, if the Certified Ratio is greater than 110% of the Average Ratio.
- D. **Residential Property**
 - 1. **Non-segregated.** In cases where Residential Property in a Municipality is not segregated into subclasses, the Equalized Value of Residential Property is calculated by dividing the Municipal Assessed Value of the Residential Property by the Average Ratio.
 - 2. **Segregated.** In cases where Residential Property in a Municipality is segregated into two or more subclasses (e.g., Nonwaterfront Property, Waterfront Property, or Condominium), the State Valuation for each subclass is calculated by dividing the Municipal Assessed Value for that subclass of Residential Property by its corresponding Average Ratio as determined by the Segregated Ratio Study.
 - 3. **Waterfront Property.** When a review of a Municipality's assessment records reveals either an underassessment or a failure to assess Waterfront Property, the Bureau may estimate the Equalized Value of such property based on local or regional sales data.
- E. **Undeveloped Land, Wasteland, Cropland, and Blueberry Land.** The Equalized Value for Undeveloped Land is calculated by multiplying the number of acres in that

category by the average per-acre sale price of Undeveloped Land as determined for each county or area through annual studies conducted by the Bureau. These studies will involve sales data for the three most recent years. The Equalized Value for Wasteland is calculated by multiplying the number of acres in that category by the per-acre Equalized Value of Undeveloped Land, then multiplying the resulting product by 12.5%. The Equalized Value for cropland and blueberry land not enrolled in the farmland program is determined through analysis of recent sales in the region of property in those categories. Cropland and blueberry land are defined in the Bureau's Property Tax Bulletin No. 20 – Farmland Tax Law.

- F. Estimate of State Valuation.** In instances where the State Tax Assessor determines there has been concealment or nondisclosure of taxable property, or failure of the Assessor to assess taxable property, the Bureau may include a reasonable estimate of the Equalized Value of such property in the State Valuation report.
- G. Adjustments.** The net adjustments in Equalized Value due to valid property tax abatements (excluding hardship/poverty abatements) and supplemental assessments (excluding Current Use program penalties) for the tax year under review are calculated by dividing the Municipal Assessed Value associated with the adjustments by the applicable Average Ratio or the Certified Ratio, if the Average Ratio does not accurately reflect the relationship to Just Value.
- H. Base Lots.** When the State Tax Assessor determines that a Municipality has not reasonably attributed the value of a Base Lot in the assessment of land, the Bureau may use local or regional sales data to estimate the value of a Base Lot for that Municipality and include in the State Valuation for that Municipality an estimate of the amount by which that Municipality's assessments understate the Equalized Value of land.

.05 Aggregate State Valuation

The aggregate State Valuation is determined by summing, for each Municipality, all of the Equalized Values for all of the categories listed in subsections .04(A) through (E) and rounding the resulting total to the nearest \$50,000.

STATUTORY AUTHORITY: 36 M.R.S. §§ 112, 201, 208, 305

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February 6, 1982

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October 28, 1985
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December 16, 1992

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REPEALED AND REPLACED:

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