

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 to the law governing state valuation.

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.01 Definitions

- A. Assessor.** “Assessor” is a sworn municipal assessing authority, whether an individual assessor or a board of assessors. “Assessor” means the State Tax Assessor with respect to the unorganized territory.
- B. Average Deviation.** “Average deviation” is a ratio study statistic that is calculated by summing the deviations of all the sales ratios in a ratio study and dividing that sum by the total number of sales ratios in that study.
- C. Average Ratio.** “Average ratio” is a ratio study statistic 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% of that study. 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, rounded to the nearer whole sale.
- D. Base Lot.** “Base lot” is a parcel of land, normally expressed in acres or front feet and determined by the assessor, which meets municipal guidelines for development.

- E. Base Sales Period.** “Base sales period” is 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” is the Bureau of Revenue Services or Maine Revenue Services (“MRS”). The executive director of the bureau is the State Tax Assessor.
- G. Commercial Property.** “Commercial property” is real estate that is used 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.
- H. Condominium.** “Condominium” is real estate consisting of areas of separate and common ownership, as defined under 33 M.R.S. § 1601-103(7).
- I. Current Use.** “Current use” is a special valuation method applicable to certain properties as provided by Article IX, section 8, subsection 2 of the Constitution of the State of Maine.
- J. Declared Ratio.** “Declared ratio” is the level of municipal value, expressed as a percentage, relative to full market value as certified by the assessor pursuant to 36 M.R.S. § 383.
- K. Deviation.** “Deviation” is a ratio study statistic equal to the absolute percentage point difference between an individual sales ratio and the average ratio in a ratio study.
- L. Industrial Property.** “Industrial property” is property dedicated to the assembling, processing, warehousing, or manufacturing of finished or partially finished products from raw materials or manufactured parts.
- M. Municipal Value.** “Municipal value” is the property value established by the assessor for purposes of local property taxation.
- N. Non-segregated Ratio Study or Combined Study.** “Non-segregated ratio study” or “combined study” is a ratio study that combines more than one class of property into a single study (*e.g.*, waterfront, nonwaterfront, condominium, and commercial).
- O. Nonwaterfront Property.** “Nonwaterfront property” is residential real estate that is not bounded by water or whose value is not measurably influenced by access or proximity to water.
- P. Personal Property.** “Personal property” is all taxable property that is not an interest in real estate (*e.g.*, production machinery and business equipment). 36 M.R.S. § 601.
- Q. Quality Rating.** “Quality rating” is a ratio study statistic calculated by dividing the average deviation by the average ratio.

- R. Ratio Study.** “Ratio study” is 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 or nonwaterfront), date of sale, book and page, tax map, plan and lot number, selling price, municipal 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.
- S. Residential Property.** “Residential property” is real estate that is suitable for seasonal or year-round use as a dwelling.
- T. Sample.** “Sample” generally is, 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.
- U. Sales Ratio.** “Sales ratio” is a ratio study statistic that is calculated by dividing a property’s municipal value by its selling price (or bureau appraised value).
- V. Segregated Ratio Study.** A “segregated ratio study” is a ratio study that includes sales of a single class of property (*e.g.*, waterfront, nonwaterfront, condominium, and commercial).
- W. State Valuation.** “State valuation” is the annual list of the equalized and adjusted just value of all taxable property in each municipality as of April 1, two years prior.
- X. Transmission and Distribution Property.** “Transmission and distribution property” is property owned by a transmission and distribution utility that is regulated by the Public Utilities Commission under Title 35-A. Transmission and distribution property includes, without limitation, substations, transformers, transmission systems, and distribution systems.
- Y. Undeveloped Land.** “Undeveloped land” is unimproved nonwaterfront real estate 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 the valuations are significantly understated or overstated.
- Z. Wasteland.** “Wasteland” is real estate that is unsuitable for development or agricultural or silvicultural use (*e.g.*, wetland, ledge, or other unsuitable land).
- AA. Waterfront Property.** “Waterfront property” is real estate bounded by a body of water or waterway. Waterfront property also includes real estate whose value is measurably influenced by its access or proximity to water.

BB. Weighted Average. “Weighted average” is a ratio study statistic that is calculated by dividing the sum of municipal values by the sum of the sale prices or bureau-appraised values of all the samples in a ratio study.

.02 Scope of rule

This rule governs the method used by the bureau to develop the annual state valuation. In the interest of equity, the Director of the Property Tax Division may order or approve additional procedures to achieve the objective of equalized just value, consistent with the intent of this rule.

.03 Ratio studies

Ratio studies used in the computation of state valuation are to be conducted according to the following guidelines:

A. Representative Sampling. The number of representative samples included in the ratio study should be sufficient to provide a reliable analysis. The assortment of samples included in a ratio study should reasonably correspond to the proportions of the various developed property classes in the municipality.

B. Segregated Ratio Studies. Segregated ratio studies are to be used when property sales do not reasonably reflect the distribution of property classes in that municipality. Segregated ratio studies are also to be used when the average ratios among property classes deviate by more than ten percentage points.

1. Ratio Study. A minimum of 12 samples is required for a ratio study.

2. Segregated Ratio Study. A minimum of eight samples within each class of property is required to conduct segregated ratio studies.

C. Expanded Sales Period. If the base sales period does not contain the minimum number of samples required, or a reasonably proportional representation of property class, the sales period is to be expanded as follows:

1. An 18-month period starting at April 1, one year prior to the April 1 assessment date under review, and running 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, 2014, the base sales period is July 1, 2013 – June 30, 2014. The 18-month expanded sales period is April 1, 2013 – September 30, 2014.

2. If an 18-month sales period does not yield the minimum number of samples required, samples are to be drawn from a 24-month period starting at January 1, 15 months prior to the April 1 assessment date under review and running 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, 2014, the 24-month expanded sales period is January 1, 2013 – December 31, 2014.

- D. Appraisals.** When there is an insufficient number of sales during both the base sales period and the expanded sales periods to meet the minimum requirement, the minimum number of ratio study samples are to be obtained by combining the available sales with appraisals conducted by the bureau using an accepted assessment manual as provided under 36 M.R.S. § 331.
- E. Segregated Ratio Study Sales Periods.** In the case of segregated ratio studies, expanded time frames for each class of property must follow the expanded sales period procedure outlined above, but the time frame for each segregated class study need not be identical. For example, a ratio study of residential nonwaterfront property may require only the base sales period, whereas a ratio study of commercial property may need the 18-month expanded sales period to obtain the minimum number of sales.
- F. Invalid Ratios; Amended Ratio Studies.** For good cause, the State Tax Assessor may determine that an average ratio is invalid. Good 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 value information used in a ratio study, MRS is to compare 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 is not to 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 to be weighted to reasonably reflect the distribution of the various classes of property in the municipality as a whole.

When a ratio study is determined to be invalid, the State Tax Assessor will adjust the municipal value of the samples in the ratio study to develop an amended ratio study that 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 value in order to determine state valuation are described in this section. Not all of the adjustments below pertain to all municipalities, and certain classes of property not listed below may need adjustment in order to determine state valuation.

- A. Electrical Utility Property.** The state valuation for transmission and distribution property is to be based upon 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 state valuation for land that is properly classified as forest land under the provisions of the Maine Tree Growth Tax Law is to be 100% of the per-acre values determined by the State Tax Assessor in accordance with 36 M.R.S. §§ 576-577.
 2. **Farmland.** The state valuation for land that is properly classified as farmland is to be based upon the per-acre rates prescribed by 36 M.R.S. §§ 1105 and 1119.
 - (a) Except for farm woodland, the state valuation for farmland is to be:
 - (i) The applicable full value per-acre farmland rate established by the assessor, or
 - (ii) A percentage of the applicable per-acre undeveloped land value calculated under subsection E.
 - (b) The state valuation of farm woodland is to be 100% of the prevailing per-acre value under the Tree Growth Tax Law as published in MRS Rule 202.
 3. **Open Space.** The state valuation for land that is properly classified as open space, as defined under 36 M.R.S. § 1102(6), is to be based upon the greater of either:
 - (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 state valuation for commercial, industrial, and personal property is to be calculated as follows.
1. **Personal Property.** The state valuation for personal property is to be calculated by dividing the municipal value by the:
 - (a) Declared ratio, provided that ratio is not greater than 110% of the average ratio, or

(b) Average of the declared ratio and the average ratio, if the declared ratio is greater than 110% of the average ratio.

2. **Commercial Property.** If there are enough representative sales of commercial property to conduct a segregated ratio study, the state valuation for commercial property is to be calculated by dividing the municipal value by the average ratio for commercial property. If there are not enough representative sales to conduct a segregated ratio study, state valuation for commercial property is to be calculated using the applicable formula from paragraph (C)(1).
3. **Industrial Property.** State valuation for industrial property is to be calculated using the applicable formula from paragraph (C)(1).

D. Residential Property

1. **Non-segregated.** In cases where residential property in a municipality is not segregated into subclasses, the state valuation for residential property is to be calculated by dividing the municipal 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, waterfront, condominium, etc.), the state valuation for each subclass is to be calculated by dividing the municipal value for that subclass of residential property by its corresponding average ratio as determined by the segregated ratio study.
3. **Waterfront Property.** Whenever a review of a municipality's assessment records reveals either an underassessment or a failure to assess waterfront property, the bureau may estimate the state valuation of such property based on local or regional sales data.

E. Undeveloped Land, Wasteland, Cropland, and Blueberry Land. The state valuation 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 state valuation for wasteland is calculated by multiplying the number of acres in that category by the per-acre state valuation of undeveloped land, then multiplying that product by 12.5%. The state valuation for cropland and blueberry land is determined through analyses of recent sales of property in those categories.

F. Estimate of State Valuation. In instances of 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 just value of such property in state valuation.

G. Adjustments. The net adjustments in municipal value due to valid property tax abatements (excluding poverty abatements) and supplemental assessments (excluding current use program penalties) for the tax year under review are to be converted to state valuation by dividing the municipal value by the applicable sales ratio.

H. Base Lots. When a municipality does not reasonably attribute 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 just value of land.

.05 Aggregate state valuation

The state valuation is determined by summing for each municipality all of the state valuations for the various categories listed in section .04 and rounding that total to the nearest \$50,000.

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

EFFECTIVE DATE:

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December 16, 1992

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