

CHARLTON REVALUATION FOR FY2008

PROCESS TO BEGIN APRIL 2007

Overview of Property Revaluation Process

The law in Massachusetts requires that all property be assessed at 100% of its fair market cash value – the price a willing buyer would pay to a willing seller. The rationale for full value assessments is equity. Houses of equal market value in a community should be equitably assessed. The Assessors of each community are responsible for developing a program to accomplish a fair cash valuation of all property within the community. A continuing program of equalization must be developed to maintain fair cash values. The first step is to bring all properties in line with actual market conditions established by actual sales. This is done in accordance with guidelines set by the Department of Revenue to meet triennial certification requirements established by law.

Phases of a Property Revaluation Program

1. Data Collection

The first step of a continuing equalization program is periodic inspection of all properties, paying particular attention to those undergoing renovation, that have recently sold, or have been demolished. Inspection and data inventory of the structures on a parcel is an important aspect of any revaluation program. Inspectors will generally inspect each structure unless permission to inspect is denied. When inspection is denied, the assessors will generally estimate the data sought based on observations of the structure and neighborhood. In the case of a denial, the inspector will estimate the value and characteristics of the property to be equal to the best property in the neighborhood. This is to insure fairness to those property owners who cooperate with the inspection process. Letters will be sent to those homes due for an inspection two to three weeks prior to the data collector's arrival. If the homeowner is not at home at the time of the inspection the data collector will take the exterior measurements. If no appointment is made, the data collector will estimate the value and characteristics in the same manner as if access were denied.

2. Sales Analysis & Accuracy Study

This step will review accuracy and uniformity of building inventories and analyze the sale market. To accomplish this, a data quality study and assessment to sales ratio studies are completed. The market analysis includes all arms-length sales from January 1, 2006 to December 31, 2006. The Department of Revenue does a data quality study and review of market analysis. Valuation is completed later in the process with a field review of all parcels.

3. Value Determination

During this phase the determination of market value for every parcel of property within the town is made as of January first. (New construction as of June 30, 2007) Any sale used as part of this analysis must meet the guidelines of an arms length sale. Arms length sales are generally defined as any sale between a willing buyer and a willing seller, where both parties are reasonably informed about market conditions and where neither is under any undue stimulus. Sales that result from estate settlements, foreclosures, divorce or pending divorces generally would not be considered arms length transactions. Any non-arms length sale as defined in the Department of Revenue's Guidelines for Classification and Taxation of Property According to Use Property Type Classification Codes will be noted, but not used for analysis. There are three accepted approaches to value; the market approach, the cost approach and the income approach. The market approach uses market sales of properties similar to the subject. The sales are analyzed and adjusted for differences to forecast what the subject would sell for on the assessment date

(January 1st). The cost approach uses current replacement or reproduction cost to estimate market value. Replacement cost is the amount of money necessary to build a new building equal in utility and functionality to the original. The value is calculated by estimating replacement cost, deducting depreciation, and adding the value of the land. Depreciation is an estimate of loss in value from any cause. The typical factors influencing depreciation are age, physical condition, and functionality. The income approach uses potential income of a property to calculate market value. This approach is most applicable for those properties bought and sold for their income producing capabilities. This approach considers the income stream that a property is likely to produce and capitalizes the future benefits of ownership into current market value. Single family homes are not typically bought and sold for their income producing capabilities, therefore the income approach is not normally used.

4. Value Review and Preliminary Certification

A final review of all values will be done. All values are reviewed for accuracy and uniformity. A final assessment to sale ratio study will be prepared to demonstrate that assessments represent full and fair market value and are uniform throughout the community. Department of Revenue preliminary certification is requested at this time. All required certification reports and spreadsheets are given to the Department of Revenue's Bureau of Local Assessments; they conduct a statistical analysis and perform a preliminary field review. If all standards are met, the Bureau notifies the Town of the preliminary certification.

5. Public Disclosure and Final Certification

Once preliminary certification is given, the public disclosure process begins. The public disclosure program is intended to provide taxpayers with information about their new assessments. Upon completion of the public disclosure program, the Assessors provide the Bureau of Local Assessment with a list of all parcels that will have a proposed final value that differs more than ten percent from the preliminary value previously certified.

6. Final Approval from the Bureau of Local Assessment

The Bureau of Local Assessment notifies the Town that the proposed values represent full and fair cash values.

All property owners should review their new assessments for accuracy. New assessments should be available in mid September. Out of state property owners will receive a letter notifying them of the new assessments. Charlton residents will have the opportunity to view their new assessments outside the Assessors and the Selectmen's office, also books will be available in the library for the public. Any property owner with questions about the new assessments should contact the Assessors office to schedule an appointment with the Board. Upon receipt of the third quarter tax bill issued in late December, a property owner who disagrees with an assessment may apply for an abatement. An abatement application is a formal notice to the Assessors that the taxpayer disagrees with the assessed value. The abatement process is the only legal method to correct assessments once the taxes are committed for collection. Application deadline dates will be included on the third quarter tax bill. Assessors can only act on applications filed timely. Assessors must act on all applications for abatements within three months from the date received by the Assessors. Any abatement granted is for one year only. The abatement procedure is intended to provide property owners with an appeal process. Owners filing an abatement application are appealing the assessed value of the property, not the taxes paid. The assessment must represent full and fair cash value.