

18 DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

125 BUREAU OF TAXATION

Chapter 201 RULES OF PROCEDURE USED TO DEVELOP STATE VALUATION

1. DEFINITIONS. As they appear in these rules, the terms enumerated below are hereby denoted to have the following meanings.
 - A. Agency. "Agency" means the State of Maine Department of Administrative and Financial Services, Bureau of Taxation. The bureau chief's title is State Tax Assessor.
 - B. Assessor. "Assessor" refers to the sworn municipal assessing authority, whether an individual Assessor or a Board of Assessors.
 - C. Average Deviation. The "average deviation" is a ratio study statistic which is calculated by summing the deviations of all the samples in a ratio study and dividing that sum by the total number of samples in the ratio study.
 - D. Average Ratio. The "average ratio" is a ratio study statistic which is calculated after arranging validated arms length transactions in ascending ratio order then summing the sales ratios of the samples in the central seventy percent (70%) of the study group and dividing that sum by the number of samples contained in that central section. 15% of the samples from each tail of the study group are omitted in computing the average of ratios to decrease adverse effects which frequently occur when outlier ratios are not excluded.
 - E. Base Lot. "Base lot" refers to a portion of a parcel with potential for or capable of development, typically one acre or the minimum lot size specified by local ordinance.
 - F. Certified Ratio. The "certified ratio" is the level of municipal assessed valuation relative to full market value as declared by the assessor on the municipal valuation return.
 - G. Commercial Property. "Commercial property" is real estate which is used for business purposes (service, retail, or wholesale), and including but not necessarily limited to:
 - (1) Apartment buildings with four or more rented or leased units;
 - (2) Housing projects;
 - (3) Mobile home parks;
 - (4) Stores and shops;

(5) Office condominiums; and

(6) Recreational facilities.

- H. Condominium. "Condominium" is waterfront or nonwaterfront real estate which is used or suitable for multiple unit residential use; also see 33 MRSA, Section 1601-103(7).
- I. Current Sales Period. The "current sales period" begins July 1st preceding the tax year under review and runs through the following June 30th.
- J. Current Use. "Current use" refers to special valuation methods applicable to certain properties as provided by Article IX, section 8, subsection 2 of the Constitution of the State of Maine, and limited to land which is duly classified as either Tree Growth, Farmland, or Open Space.
- K. Declaration of Value. The "declaration of value" form is the document required to be filed when real estate is conveyed to another; Maine Real Estate Transfer Tax (36 MRSA 4641-D).
- L. Developed Lot. A "developed lot" is a parcel or portion of a parcel of land upon which buildings or other improvements are situated.
- M. Deviation. A "deviation" is a ratio study statistic which indicates the absolute percentage point difference between an individual ratio and the average ratio.
- N. Electrical Utility Property. "Electrical utility property" is property owned by a regulated utility including, but not limited to: water rights, dams, waterways, waterwheels, generating systems and powerhouses, substations, transformers and transmission systems, and distribution systems.
- O. Equalized State Valuation. The "equalized state valuation" lists every municipality and its corresponding full valuation of all taxable property as of April first, two years prior (36 MRSA 208, 305.1).
- P. Farmland. "Farmland" is any land which is classified under the provisions of the Farm and Open Space Tax Law (36 MRSA 1102.4).
- Q. Industrial Property. "Industrial property" is real estate and personal property dedicated to the assembling, processing, or manufacturing of finished or partially finished products from raw materials or manufactured parts.
- R. Municipal Valuation Return. The "municipal valuation return" (MVR) is the annual report summarizing local tax information which assessors are required to file with the

Bureau of Taxation (36 MRSA 383).

- S. Municipal Value or Local Assessed Valuation. "Municipal value" is the value established by the Assessor for property: it is the value upon which property taxes are based.
- T. Nonsegregated or Overall Ratio Study. A "nonsegregated or overall ratio study" is a ratio study which combines more than one class of property (e.g. waterfront, nonwaterfront, condominium, mobile home, etc.) which might otherwise be segregated into two or more separate group ratio studies for cause.
- U. Nonwaterfront Property. "Nonwaterfront property" is residential real estate involving land which is not bounded by water.
- V. Open Space. "Open space" is any preserved or restricted use land which is classified under the provisions of the Farm and Open Space Tax Law (36 MRSA 1102.6).
- W. Personal Property. "Personal property" is any taxable item(s) which is not an interest in real estate (e.g. production machinery, business equipment, etc.). § 601.
- X. Quality Rating. The "quality rating" is a ratio study statistic which is calculated by dividing the average deviation by the average ratio.
- Y. Ratio Study. A "ratio study" is a statistical display of real estate sales information wherein sales data is arranged under the following headings; Owner or class of property (waterfront, nonwaterfront, etc.), date of transfer, Registry of Deeds book and page or tax map, plan and lot number, selling price, municipal assessed valuation, sales ratio, and deviation. The ratio study also contains a summary showing the weighted average, the average ratio, the average deviation, and the quality rating.
- Z. Residential Property. "Residential property" is real estate which is suitable for seasonal or year-round use as a dwelling.
- AA. Sales Ratio. A "Sales Ratio" is a statistic which is calculated by dividing a property's assessed value by its bona fide selling price (or Agency appraised value).
- BB. Segregated Ratio Study. A "segregated ratio study" is a ratio study which involves only one class of residential property (e.g. waterfront, nonwaterfront, condominium, mobile home, etc.).
- CC. State Value. "State value" refers to the full value conversions of the various subcategories of local assessed value.
- DD. State Valuation Ratio. "State valuation ratio" is the ratio determined by dividing the

adjusted total taxable municipal value by the State Valuation. Municipal values are adjusted for abatements and supplemental assessments.

- EE. Tree Growth. "Tree growth" is any forested area which is classified under the provisions of the Maine Tree Growth Tax Law (36 MRSA subchapter II-A).
- FF. Undeveloped Land. "Undeveloped land" means rear acreage and unimproved nonwaterfront acreage which is not: classified under current use provisions, a base lot, or waterfront (excluding waste land, whenever possible).
- GG. Variant Ratio. The "variant ratio" is determined by multiplying the Average Ratio by 120%.
- HH. Waste. "Waste" means any acreage which is unsuitable for development, agricultural, or silvicultural use; i.e. wetland, ledge, and other land which is unsuitable for development.
- II. Waterfront Property. "Waterfront property" is real estate bounded by a body of water or waterway. May also include parcels with deeded access to water.
- JJ. Weighted Average. A "weighted average" is a ratio study statistic which is calculated by dividing the sum of local assessed valuations by the sum of the selling prices or Agency appraised values of all the samples in the study.

2. SCOPE AND CONSTRUCTION OF RULES.

- A. Administration. All non-certifying duties relating to the development of the equalized State Valuation are delegated by the Agency (State Tax Assessor) to the Property Tax Division, State House Station #24, Augusta, ME 04333.
 - B. Procedure Governed. These rules govern the method used by the Agency to develop the annual State Valuation. In the interest of equity, the Director of the Property Tax Division may order or approve additional procedures in unique cases to achieve the objective of equalized state valuation, consistent with the intent of this rule.
- ### 3. RATIO STUDIES. Ratio studies used in the computation of state value are to be conducted according to the following guidelines:
- A. Representative Sampling. The number and assortment of samples included in a ratio study should reasonably correspond to the proportions of the various developed property classes in the grouping or municipality.
 - B. Overall or Segregated Studies. In the interest of equity, segregated ratio studies may be used when sample proportion is not reasonably weighted or when valuations

deviate by more than 10% between property categories.

- (1) Nonsegregated Ratio Study. A minimum of twelve samples is required for a nonsegregated [overall] ratio study.
 - (2) Segregated Ratio Studies. A minimum of eight samples is required for each segregated class ratio study.
- C. Expanded Sales Period. If the current sales period does not contain the minimum number of samples required, the sampling period may be expanded as follows:
- (1) An eighteen month period starting at April 1st, one year prior to the April 1st assessment date under review and running through September 30th of the tax year under review.
 - (2) If an eighteen month sales period does not yield the minimum number of samples required, sales may be drawn from a twenty-four month period starting at January 1st, 15 months prior to the April 1st assessment date under review and running through December 31st of the tax year under review.
- D. Appraisals. Whenever there is insufficient sales data to satisfy the above paragraph, the minimum number of ratio study samples are to be obtained by combining the available sales with on-site appraisals conducted by Agency field representatives using an accepted assessment manual as provided under 36 MRSA 331.
- E. Split Sales Periods. In the case of segregated class ratio studies, expanded time frames for each class of property must follow the procedure in paragraph C but the time frame for each segregated class study need not be identical.
- F. Invalid Ratios; Amended Ratio Studies. The Agency may determine that an indicated average ratio is invalid for cause, such as changes in assessed values for sold properties which are inconsistent with assessed values for properties which have not recently sold.
- (1) Random Sampling. In order to investigate the validity of sales information in an initial ratio study, the current year's assessed value is compared to the prior year's assessed value for a random sampling of properties which have not recently sold. The property classes for the items in the random sampling should be proportionately weighted to reasonably reflect the corresponding proportions and the various classes of property in the municipality as a whole.
 - (2) Threshold of Validity. The average change in assessed value for the random sampling is to be compared to the average change in value for the samples in the ratio study. A discrepancy of more than five percent may be sufficient to discredit initial ratio study

results and could warrant an adjustment to local assessed values for the purpose of developing an amended ratio study.

- (3) Adjusted Assessed Values. Whenever ratio study results are determined to be invalid, the Agency may adjust the local assessed value of the samples in the ratio study to the extent that the amended ratio study results are reliable indications of current assessment levels. Additionally, sales data for transactions which have occurred after the current sample period may be used in such instances.
4. COMPUTATION OF STATE VALUE. The conversion of municipal assessed valuations to State Value (SV) is to be performed as follows. Some property categories may not be present in all municipalities; in contrast, the following categories may necessarily be expanded to embody the diversity of the valuation base in certain municipalities.
 - A. Electrical Utility Property. The SV for transmission and distribution systems is to be based upon the Agency recommended values developed and distributed annually in Property Tax Bulletin No. 25. The SV for electrical generating and other facilities is to be based upon appraisals approved annually by the Agency.
 - B. Current Use Acreage.
 - (1) Tree Growth. The SV for forest land which is properly classified under the provisions of the Maine Tree Growth Tax Law is to be based upon 100% of the per acre values determined by the State Tax Assessor in accordance with 36 MRSA 576 to 577.
 - (2) Farmland. The SV for land which is properly classified as Farmland is to be based upon the per acre rates prescribed by 36 MRSA 1105 and 1119.
 - (a) Except for farm woodland, the SV for farmland is based upon:
 - (i) The various applicable full value per acre farmland rates established by the Assessor, or
 - (ii) If the various applicable full value per acre rates established by the Assessor fall outside the 'observed range' determined pursuant to 36 MRSA 1119, the SV for classified farmland will be based on the closest extreme determined by 36 MRSA 1119.
 - (b) The SV per acre of farm woodland is 100% of the prevailing per acre value for Tree Growth.
 - (3) Open Space. The SV for land which is properly classified as Open Space is to be based upon the greater of either:
 - (a) The 100% value for open space land established by the Assessor;

or

- (b) The state rate for undeveloped land as described in paragraph E below.
- C. Commercial, Industrial, and Personal Property. The SV for commercial, industrial, and personal property is to be calculated by:
- (1) Dividing the local assessed value by the:
 - (a) Certified Ratio provided the ratio certified is not greater than 110% of the average ratio, or
 - (b) Adjusted Certified Ratio if the certified ratio is greater than 110% of the average ratio but no more than 120% of the average ratio, the average of the certified ratio and the average ratio is used, or
 - (c) Adjusted Variant Ratio if the certified ratio is greater than 120% of the average ratio; the average of the variant ratio and the average ratio is used.
 - (2) Notwithstanding (1) above:
 - (a) Commercial Sales Ratio. In the event that the market yields a sufficient number of reliable sales of commercial property to conduct a segregated ratio study, the SV for commercial real estate may be calculated by dividing the local assessed value by the average ratio for commercial property.
 - (b) Industrial Appraisals. Whenever the Agency conducts appraisals of certain industrial properties, the SV for those particular industrial properties is to be the Agency appraised value.
- D. Residential Property.
- (1) Nonsegregated. In cases where residential property is not segregated into subclasses, the SV for residential property is to be calculated by dividing the local assessed value by the overall average ratio.
 - (2) Segregated. In cases where residential property is segregated into two or more subclasses (nonwaterfront, waterfront, condominium, mobile home, etc.), the SV for each subclass is to be calculated by dividing the local assessed value for that class by its corresponding average ratio.
 - (3) Waterfront Property. Whenever a review of a municipality's assessment records reveals either an underassessment or a failure to assess water frontage, the Agency

may reasonably estimate the SV of such property based on local or regional sales data.

- E. Undeveloped Land and Waste Acres. The SV for undeveloped land, waste acres, crop land and blueberry land is calculated by multiplying the number of acres in each category by the average sales price determined for each county or area through annual studies conducted by the Agency. These studies will involve sales data for the three most recent years collected.
 - F. Estimate of State Value. In instances of concealment, nondisclosure, or failure of the Assessor to assess taxable property, the Agency may include a reasonable estimate of the full value of such property in SV.
 - G. Adjustments. The net adjustments in local value due to valid property abatements (excluding poverty abatements) and supplementals (excluding Current Use penalties) for the tax year under review are to be converted to state value by dividing the local assessed value by the applicable ratio.
 - H. Base Lots. The Agency may include reasonable estimates in SV for such property based on local or regional sales data.
5. STATE VALUATION. The State Valuation is determined by summing all of the State Values for the various categories enumerated in section 4, and rounding that total to the nearest \$50,000.
6. EFFECTIVE DATE. December 16, 1992.