

# Introduction to Property Tax Assessment



Introductory Course PT101



# INTRODUCTION

This slide show is designed to accompany the  
Introductory Course PT101 textbook



# INTRODUCTION

- Purpose of this course
  - Provide an introduction to and overview of the property tax assessing profession
  - Part of a three course curriculum that addresses general concepts in preparation for taking the Certified Maine Assessor exam



# INTRODUCTION

## → Maine Constitution

→ Framework that encompasses all Maine tax law

→ Four provisions that impact property tax:

→ Article I, section 22

→ Article IX, section 9

→ Article IX, section 8

→ Article IX, section 7



# INTRODUCTION

## → Maine Constitution

### → Article I, section 22:

→ “No tax or duty shall be imposed without the consent of the people or of their representatives in the Legislature.”

### → Article IX, section 9:

→ “The Legislature shall never, in any manner, suspend or surrender the power of taxation.”

→ Together, these two sections declare that the Maine Legislature has the power to create tax laws.



# INTRODUCTION

## → Maine Constitution

### → Article IX, section 8:

- “All taxes upon real and personal estate, addressed by authority of this State, shall be apportioned and assessed equally according to the just value thereof.”
- Just value = market value
- *According to* just value can mean a percentage of just value

### → Article IX, section 7:

- “While the public expenses shall be assessed on estates, a general valuation shall be taken at least once in every 10 years.”
- Municipalities must make an effort to attain equity
- Does not require a complete municipal revaluation every 10 years



# INTRODUCTION

→ Maine Revised Statutes (“M.R.S.”)

→ Title 36: Taxation

→ Two provisions that generally direct property tax

→ 36 M.R.S. § 502

→ All property is valued as of April 1 annually

→ 36 M.R.S. § 701-A

→ Property value is limited to allowable uses



# INTRODUCTION

- Tax is a compulsory contribution to support government, not a payment for specific services
- Three basic types of tax
  - Tax on creation (income tax)
  - Tax on exchange (sales tax)
  - Tax on possession (property tax)
- Of the three types, property tax is the oldest
  - Property tax is predetermined – rate is adjusted to meet budgetary needs





# INTRODUCTION

- Municipal structure
  - Selectmen
  - Town manager
  - City council or town meeting
- Municipal assessor – qualifications
  - At least 18
  - U.S. citizen
  - Maine resident
  - Legally elected/appointed and sworn in
  - Resident of the municipality (if also a selectman)



# CHAPTER 1 PROPERTY AND PROPERTY RIGHTS



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

- Real property = bundle of rights
  - Right to use
  - Right to sell
  - Right to lease or rent
  - Right to enter or leave
  - Right to give away
  - Right to refuse to execute any of the above
- Real estate = physical land and everything attached to it



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

- Real estate
  - Land: the surface of the Earth and everything below and above
  - Improvements: buildings and other structures
- Appurtenances = attachments to property
  - Easements: rights given to others on your property
  - Restrictions: limits on the use of your property
- Personal property = all property *not* real estate



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

- Government limitations on bundle of rights
  - Power of taxation: governments may impose property/excise taxes
  - Power of police: zoning and building restrictions
  - Power of eminent domain: taking private property for public use
  - Power of escheat: State may claim property of decedent with no heirs.



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

- Private restrictions
  - Rights of co-owners
  - Covenants and restrictions in title chain
  - Mortgages
    - Real estate pledged for guarantee of loan repayment
  - Easements
  - Liens and judgments
  - Leases



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

## → Estates in land

### → Freehold

- Fee simple: greatest degree of ownership
- Fee tail
- Life estate
- Contingent estate

### → Leasehold

- Tenancy for years
- Periodic tenancy
- Tenancy at will
- Tenancy at sufferance: tenant stays beyond tenancy without consent



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

## → Forms of ownership

→ Joint tenancy: 2+ owners, all own entire property

→ Tenancy in common: 2+ owners, each owns a portion of property

→ Tenancy in severalty: 1 owner





# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

## → Deed

→ Describes property

→ Lays out ownership form

→ Describes limitations on rights

→ Two general types:

→ Warranty deed – transferor promises clear title

→ Quitclaim deed – transferor gives whatever interest held



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

- Elements of a deed
  - Grantor/grantee
  - Consideration
  - Words of conveyance
  - Land description
    - Metes and bounds
    - Rectangular survey system
    - Lot and block survey system
    - Rectangular coordinates
  - Grantor signature
  - Delivery and acceptance



# CHAPTER 1 – PROPERTY AND PROPERTY RIGHTS

- Real estate transfer tax
  - Tax on transfer of real estate
  - \$2.20 per \$500 of purchase price



CHAPTER 2  
THE MATHEMATICS OF  
ASSESSMENT



## CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

- Assessing requires good math skills
- This chapter provides an overview of basic math skills
  - Does not cover all assessor math, some of which is complex
- If you need a more in-depth tutorial, there are many good resources online



# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Fractions

### → Types

→ Proper fractions ( $2/5$ )

→ Improper fractions ( $5/2$ )

→ Mixed number ( $2 \frac{2}{5}$ )

→ Addition/subtraction – create common denominator

→ Multiplication – numerator x numerator, denominator x denominator

→ Division – invert divisor and multiply



# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Decimals

- Expression based on multiples of ten
- Addition – align decimal points
- Multiplication
  - Remove decimal points
  - Multiply as whole numbers
  - Add decimal point from right equal to the total number of places in original numbers



# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Decimals, continued

### → Division

- Make divisor a whole number
- Move decimal the same number of spaces in dividend
- Employ long division, placing decimal point in answer directly above decimal point in dividend

## → Percentages

- Change percent to decimal, then multiply





# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Area

→ Rectangle = base x height

→ Triangle =  $\frac{1}{2}$  base x height

→ Circle =  $\pi r^2$

→ Trapezoid =  $((a + b)/2)$  x height, where a and b are the top and bottom lengths

→ Parallelogram = base x vertical height



# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Units of measure

### → Linear measure

- Foot = 12 inches
- Yard = 3 feet
- Rod = 16.5 feet
- Chain = 66 feet = 4 rods
- Meter = 3.2808 feet
- Kilometer = 1,000 meters
- Mile = 5,280 feet



# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Units of measure, continued

### → Area measure

- Square foot = 144 square inches
- Square yard = 9 square feet
- Square rod = 272.25 square feet
- Square chain = 16 square rods
- Square meter = 1.196 square yards
- Acre = 43,560 square feet = 160 square rods
- Hectare = 2.4711 acres
- Square kilometer = 1,000,000 square meters
- Square mile = 640 acres



# CHAPTER 2 – THE MATHEMATICS OF ASSESSMENT

## → Units of measure, continued

### → Volume measure

- Cubic foot = 1,728 cubic inches
- Cubic yard = 27 cubic feet
- Cord = 128 cubic feet



CHAPTER 3  
THE VALUE OF  
PROPERTY



## CHAPTER 3 – THE VALUE OF PROPERTY

- Value is the relationship between an object desired and a potential purchaser. It is the ability of a commodity to command another commodity (usually money) in exchange.
- Value in use
- Value in exchange
- Property must have utility, scarcity, and desirability to have value. These three basic principles determine, create, and destroy value



## CHAPTER 3 – THE VALUE OF PROPERTY

- Utility = capacity to excite desire for possession
- Scarcity = limited supply
- Desirability = demand
  
- Appraisal = valuing a single property
- Assessment = valuing all property in a municipality = mass appraisal



# CHAPTER 3 – THE VALUE OF PROPERTY

## → Market value

→ *“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- *A. Buyer and seller are typically motivated;*
- *B. Both parties are well informed or well advised and acting in what they consider their best interests;*
- *C. A reasonable time is allowed for exposure to the open market*
- *D. Payment is made in terms of cash in U.S. dollars;*
- *E. And the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”*





# CHAPTER 3 – THE VALUE OF PROPERTY

- The four great forces (PEGS)
  - **Physical:** topography, lot shape, soil conditions
  - **Economic:** construction costs, rental rates, availability of land
  - **Governmental:** Zoning, building codes, level of municipal services
  - **Social:** age distribution, education trends, crime rates



# CHAPTER 3 – THE VALUE OF PROPERTY

## Economic Principles of Valuation

- Anticipation
- Balance
- Change
- Competition
- Conformity
- Consistent use
- Contribution
- Diminishing returns
- Progression and regression
- Substitution
- Supply and demand
- Surplus productivity



## CHAPTER 3 – THE VALUE OF PROPERTY

- Highest and best use: The legally allowable use that will generate the highest return to the property over time
  - Physically possible/probable
  - Legally permissible
  - Financially feasible
  - Most productive



# CHAPTER 3 – THE VALUE OF PROPERTY

## → Three approaches to value

### → Market approach

→ Subject property compared to recently sold, similar property

### → Cost approach

→ Replacement cost less depreciation

### → Income approach

→ Value is based on estimate of future income



# CHAPTER 3 – THE VALUE OF PROPERTY

## → Market Approach

- Ideal when there are many recent sales in the area
- Sometimes referred to as market data approach, sales comparison approach, comparison approach, or market data study
- Sales of comparable properties are adjusted to determine value of subject property
- Covered in Chapter 7 – Market Approach



# CHAPTER 3 – THE VALUE OF PROPERTY

## → Cost approach

→ Requires information on all the materials and systems used in the property

→ Cost schedules consist of ten elements

→ 1) foundation; 2) basement; 3) framing; 4) roof; 5) interior; 6) exterior; 7) floors; 8) heating; 9) plumbing; and 10) electrical

→ Depreciation (applied in this order)

→ Physical depreciation – wear and tear

→ Functional obsolescence – outdated equipment/design, incomplete structures as of 4/1

→ External obsolescence – external forces that impact value



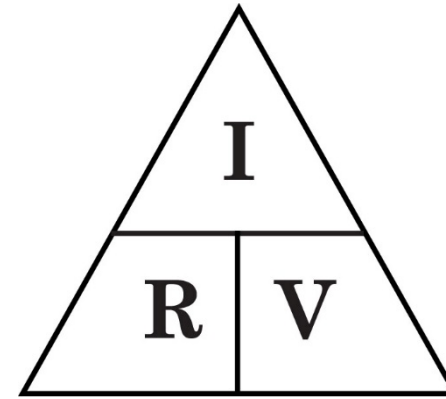
# CHAPTER 3 – THE VALUE OF PROPERTY

## → Income approach

→  $\text{Income} = \text{Rate} \times \text{Value}$ , or **IRV**

→  $\text{Value} = \text{Income} / \text{Rate}$

→  $\text{Rate} = \text{Income} / \text{Value}$



→ Income = estimated income generated by the property

→ Rate = rate of return for property = capitalization rate

→ Value = market value

# CHAPTER 3 – THE VALUE OF PROPERTY

## → Valuation of land

→ Square foot method = most popular for urban land

→ Acre method = most popular for rural land

→ 4 basic types of land

→ Residential

→ Agricultural

→ Commercial

→ Industrial





# CHAPTER 3 – THE VALUE OF PROPERTY

- Current use valuation
  - Authorized by Maine Constitution, article IX, section 8
  - Tree Growth Tax Law program (Bulletin No. 19)
    - 10+ acres of commercially harvested forest land
  - Farmland (Bulletin No. 20)
    - 5+ acres of income-producing farmland
  - Open space land (Bulletin No. 21)
    - Any size, generating public benefit through preservation/restriction of use
  - Working waterfront
    - Any size, near water, mostly used to support commercial fishing



# CHAPTER 4 PERSONAL PROPERTY



## CHAPTER 4 – PERSONAL PROPERTY

- Personal property is all property that is not real property
- Personal property is taxed
  - By the municipality where a Maine resident lives, or
  - By the municipality where the property of a nonresident is located
- Personal property is usually valued using the cost method
  - Replacement cost less depreciation
  - Depreciation based on useful life of the property



# CHAPTER 4 – PERSONAL PROPERTY

- Personal property tax relief programs
  - Business Equipment Tax Exemption program
    - Exempts personal property owned by a business
    - Limitations apply on eligible businesses, eligible property
    - State reimburses municipality for 50% (sometimes more) of revenue lost due to the exemption
  - Business Equipment Tax Reimbursement program
    - State reimburses businesses for a percentage of property tax paid on eligible property
    - Limitations apply on eligible businesses, eligible property



# CHAPTER 5 THE ASSESSOR'S PROCESS



# THE ASSESSOR'S PROCESS

- Discovery: find new property
- Identification: account numbers, parcel locations
- Situs: where is the property
- Classification: real, personal, exempt
- Data collection/analysis: information used in valuation
- Valuation: 3 approaches, determine market value
- Prepare valuation book, send tax bills, address abatement requests



# THE ASSESSOR'S PROCESS

## → Discovery

- The process of uncovering new property and improvements to existing property
- Accomplished through:
  - Physical inspection
  - Review of building and other permits



# THE ASSESSOR'S PROCESS

- Property record cards
- Building inspection
  - Lot size/topography
  - Compare land to other land in area
  - Measure exterior
  - Sketch building
  - Inspect interior, if allowed by homeowner
  - Note details





# THE ASSESSOR'S PROCESS

## → Tax maps

→ Assessor must know location of property and size of lot

→ Map scales

→ Maintenance of maps

→ Revision of maps

→ Should be done every year to reflect status of property on April 1

## → Parcel identification

→ Map, lot, book and page for each parcel



# THE ASSESSOR'S PROCESS

## → Revaluation

→ Revised tax maps

→ New assessment manual

→ New property record cards

→ With current photograph



# THE ASSESSOR'S PROCESS

- Valuing land
  - Analyze recent sales
  - Create table reflecting different values based on size
    - Width and depth of lot
    - Location of lot
    - Topography
  - Determine standard parcel depth



# THE ASSESSOR'S PROCESS

## → Exemptions

- Benevolent and charitable
- Literary and scientific
- Churches
- Veterans
- Blind persons
- Homestead
- Others



# THE ASSESSOR'S PROCESS

## →Municipal valuation

→ Mill rate =  $(\text{budget} + \text{overlay}) / \text{total municipal value}$

→ Budget = amount of municipal revenue to be raised from property tax

→ Overlay = excess revenue to cover unexpected costs

→ Cannot exceed 5% of budget

→ Valuation book: list of every property

→ Commitment book: valuation book after presenting to tax collector

→ Tax bills: individual property owner share of budget



# THE ASSESSOR'S PROCESS

## → Abatements and appeals

### → Abatement

- Within 185 days of commitment on written request
- Within one year of commitment on assessor initiative

### → Appeal

- To board of assessment review (BAR) or county commissioners within 60 days of abatement denial
- To State Board of Property Tax Review within 60 days of abatement denial, if current use property or nonresidential property valued at \$1 million or more
- To superior court within 30 days of BAR/county commissioners decision

### → Poverty abatements



# CHAPTER 6 MAPPING PROCEDURES



# CHAPTER 6 – MAPPING PROCEDURES

## → Metes and bounds

→ Described on a deed

→ A process where the perimeter of a parcel is described from an initial reference point using angles and distances

→ If done properly, it will end at the starting point

→ Can be plotted on a map





# CHAPTER 6 – MAPPING PROCEDURES

## → Compass points

→ Map must be oriented with north facing up

→ 360° in a full circle

→ North = 0°

→ East = 90°

→ South = 180°

→ West = 270°



# CHAPTER 6 – MAPPING PROCEDURES

## → Longitude and latitude

→ Coordinates used to determine locations on Earth

→ Latitude: measured from Equator

→ Longitude: lines running through North and South Poles

## → Magnetic north

→ Different than true north (North Pole)

→ Angle of declination = difference between true north and magnetic north

→ For Maine, usually 15° to 20° west of true north



# CHAPTER 6 – MAPPING PROCEDURES

- Aerial photography
  - Common tool for mapping municipalities
  - Drawback: images not easily scalable
- Municipal tax maps should include:
  - Orientation: uniform north arrow
  - Title: municipality, county, assessor name/address, map date
  - Legend: describing all symbols used
  - Parcel identification: border lines, ID number, area



# CHAPTER 6 – MAPPING PROCEDURES

- Measurement tools
  - Architect's scale
  - Engineer's scale
  - Drafting equipment
  - Triangles
  - Parallel ruler
  - Protractor
  - Computer mapping programs



# CHAPTER 6 – MAPPING PROCEDURES

- Map scales
  - Define distance on map equivalent to ground distance
    - For example, 1 inch = 100 feet
- Surveyor normally uses an engineer's tape (tape measure)
- Map maker normally uses an engineer's scale (ruler)



# CHAPTER 7 MARKET APPROACH



# CHAPTER 7 – MARKET APPROACH

## → Market approach

- Normally used as a confirmation of value obtained by the cost approach
- Relates to the principle of substitution, which states that the market value of a property tends to be set by the cost of an equally desirable property



# CHAPTER 7 – MARKET APPROACH

## Advantages

- When sales are plentiful
- For use on residential property
- When there are many recent sales of similar property
- If good assessor records are kept

## Disadvantages

- Only a few recent sales
- When valuing commercial, industrial, or income property
- When sales are dissimilar
- If inadequate assessor records are kept





## CHAPTER 7 – MARKET APPROACH

- The subject property (property being valued)
- Compare subject to recently sold comparable property
- When accounting for differences between subject and comparable, always adjust the comparable
  - If comparable is better, adjust the price down
  - If comparable is lacking, adjust price up
  - For example, if analysis of sales indicates each bedroom contributes \$5,000 to total value and the subject has 3 bedrooms while the comparable has 2 bedrooms, increase the sale price of the comparable by \$5,000



# CHAPTER 8 THE ASSESSOR'S YEAR



## CHAPTER 8 – THE ASSESSOR’S YEAR

- Assessors should create a calendar schedule to meet the many annual deadlines
- Important dates
  - April 1: all property in Maine is valued as of this date
    - This is also the due date for taxpayers to submit most forms and applications
  - November 1 (or 30 days after commitment, whichever is later):  
Municipal Valuation Return (MVR) is due to the State
    - This document summarizes the municipality’s valuation numbers and is used to determine state valuation and the amount of any State reimbursements



# CHAPTER 8 – THE ASSESSOR’S YEAR

- Forms used by the assessor
  - Exemption/current use applications
  - BETR/BETE applications
  - Commitment forms
  - Abatement forms
  - Municipal Valuation Return
  - Turn around document
  - Real Estate Transfer Tax Declaration



# CHAPTER 8 – THE ASSESSOR’S YEAR

## → Publications

→ The Property Tax Division publishes many instructional documents that are available on the division’s website:  
*[www.maine.gov/revenue/propertytax](http://www.maine.gov/revenue/propertytax)*

→ Bulletins

→ Rules

→ Textbooks

→ Law book

→ Assessment manual



# CHAPTER 8 – THE ASSESSOR’S YEAR

- Assessor training and certification
  - Requirement to obtain a Certified Maine Assessor (CMA) certificate
    - Pass the eight-hour CMA exam
  - Requirement to retain certification
    - Complete at least 16 hours of continuing education each year
  - Advanced certification levels are also offered



# CHAPTER 9 PUBLIC RELATIONS



## CHAPTER 9 – PUBLIC RELATIONS

- Assessors deal with many members of the public, with varying levels of knowledge
- Effective communication and speaking to the knowledge level of your audience is a valuable skill
- Elements of public relations
  - Availability: be accessible
  - Honesty: be truthful
  - Attention: be engaged





# CHAPTER 9 – PUBLIC RELATIONS

- Traits of the assessor
  - Knowledge
  - Tact
  - Patience
  - Objectivity
  - Ability to communicate



# Contact:

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