

280-RICR-40-00-2

TITLE 280 – DEPARTMENT OF REVENUE

CHAPTER 40 – DIVISION OF MUNICIPAL FINANCE

SUBCHAPTER 00 – N/A

PART 2 – Rules and Regulations for the Implementation of the Triennial Updates and Revaluations to Commence in the Year 2000

2.1 General

- A. These materials have been prepared by Municipal Affairs - Tax Equalization section to assist local city/town tax assessors to plan and carry out the triennial property updates required by R.I. Gen. Laws § 44-5-11. It must be noted that the enclosed rules and regulations will help to define the requirements for the property valuation updates. The rules and regulations shall include, but not be limited to the following:
 - 1. An analysis of sales
 - 2. A rebuilding of land value tables
 - 3. A rebuilding of cost tables of all improvement items
 - 4. A rebuilding of depreciation schedules
 - 5. Market comparison approach to value
 - 6. Income approach to value when applicable
- B. In order to develop a carefully prepared plan to effectively and efficiently update property values; current assessment levels, assessment uniformity, market and cost trends should be analyzed. A proper plan is needed so the tax assessor can ascertain what exactly should be done in their city/town so that the property valuation update is completed on time, within budget and with values that are both accurate and legally defensible. This plan should evaluate and analyze:
 - 1. The assessment administration system presently in use
 - 2. Whether the level and uniformity of property assessments are within standards.

2.2 Property Valuation Plan Update

- A. After identifying the components of the valuation update program and the specific tasks necessary to complete those components, the assessor needs to evaluate the resources, in-house personnel and professional assistance, required to carry out the program in a timeframe consistent with the tax billing cycle. The assessor should then prepare a project plan. Every plan at a minimum should address:
1. The valuation methods being employed for each class of property: residential, commercial and industrial, utilities, and vacant land.
 2. The in-house personnel and/or professional appraisal assistance required to complete the property valuation update.
 3. The work schedule and projected date of completion.
 4. The availability of adequate funds.

2.3 Outside Professional Service Contracts

The assessor may select from a wide array of appraisal, consulting or other valuation service companies to help with the property valuation update. If the plan includes the purchase of professional assistance, an appropriate contract must be prepared and local purchasing policies must be followed. (a sample RFP is enclosed)

2.4 Submission of Plan

- A. The assessor shall submit their property valuation update plan to Municipal Affairs. The review will focus on whether the overall approach is reasonable and likely to achieve full and fair market values. When planning the triennial property valuation update, a major question to be answered is whether to perform the update "in house" utilizing 100% current staff or to hire outside professional appraisal assistance. The extent to which outside services are to be used should be fully explained.
- B. After the above points have been carefully analyzed, a key factor to be determined is the appropriation of adequate resources including money, personnel, timing, and supervision. At this juncture, the establishment of a realistic timetable is necessary
- C. Upon completion of the property valuation update, it is essential to provide the public ample time and the necessary information to review their respective assessments, comment on them and if necessary to dispute them via an appropriate appeal process.
- D. A property valuation system should have the following minimum capabilities:

1. The ability to maintain the updated data in an automated system.
2. Capability to update these values when and if necessary.
3. Ability to meet minimum standards for assessment administration

2.5 Analysis of Property Assessment Administration System

The system must have the capability to accurately collect and analyze certain property descriptive and market data that serves as the foundation for the development of value estimates

2.6 Tax Maps

Every city/town should have adequate tax maps so that the assessor has a complete parcel inventory and detailed land area information. Without adequate tax maps assessors will not be able to precisely analyze market influences on the value of land, such as size, shape, frontage and depth, nor develop a land valuation system based on accurate measures of market value such as square footage, front footage and site. Without adequate land information, the goal of uniform assessments cannot be attained.

2.7 Analysis of Property Assessments

- A. There are two basic ways to evaluate and/or analyze existing assessments: first, by looking at the assessment level and second, by looking at the uniformity of the assessments. Assessment level or sales ratio analysis refers to the degree to which the overall ratio of assessed value to market value approximates the full value of the property class being analyzed. Market value is basically that amount a property will sell for given a willing buyer and a willing seller both acting in their own self-interest; the property being on the market for a reasonable time; and neither party acting under duress.
- B. Assessment uniformity is the degree to which properties within a class, i.e., single family homes are assessed at equal percentages of market value. By performing an assessment/sales ratio study, the assessors can measure the level and uniformity of their assessments. Assessors should refer to IAAO standards when performing this study

2.8 Monitoring Sales Activity

- A. It is necessary for the validity of the assessment/sales ratio that all sales be analyzed carefully. Therefore, the assessor should first obtain as much information as possible about the circumstances of each sale. They need to ascertain if the sale was a true “arms-length” transaction, and that the price paid was the true price. If the price included anything such as discounted and/or non-market financing arrangements, personal property or other items; then the sales

price should be adjusted to take these things into account. Local real estate brokers and detailed questionnaires sent to buyers and/or sellers are useful tools to help determine the true market value for a property. Whenever possible, all sold properties should be inspected. This will enable the assessor to verify existing data, monitor property renovations and identify market trends within the community.

- B. Once the arms-length sales have been identified and verified, the assessor should perform a statistical analysis to determine both the assessment/sales ratio and the uniformity of assessments. During the triennial property update, all sales that have occurred since the last revaluation and/or property valuation update should be analyzed.

2.9 Conducting the Ratio Study

- A. The assessment/sales ratio (ASR) and the measure of uniformity better known as the coefficient of dispersion (COD) about the median should be calculated for each class of property for which there are sufficient sales; and should be calculated for the city/town as a whole. The above measure for each city/town should conform to International Association of Assessing Officers (IAAO) standards upon completion of the property valuation update.
- B. A comparison of each classes' Assessment Sales Ratio and Coefficient of Dispersion with the city/town wide ASR and COD may point out assessment inequities.

2.10 Conducting the Ratio Study

The assessment/sales ratio (ASR) and the measure of uniformity better known as the coefficient of dispersion (COD) about the median should be calculated for each class of property for which there are sufficient sales; and should be calculated for the city/town as a whole. The above measure for each city/town should conform to International Association of Assessing Officers (IAAO) standards upon completion of the property valuation update.

2.11 Data Analysis

- A. Depending on the valuation system and methods utilized, the assessor should collect sufficient cost and market data:
 - 1. Current cost data from firms like Marshall - Swift, etc., and local building costs where available
 - 2. Current sales data, including any information obtainable which could influence the accuracy and validity of these sales.

3. Current income, expense and vacancy data, which may be obtained from questionnaires or by interviews with lessees, lessors or agents.
 4. Data relative to the development of capitalization rates, financing terms, recapture rates, yield requirements and local debt coverage ratios.
- B. Some of the data analysis methods discussed above require the full cooperation of the general public (not mandated by law) so it is unknown at this time whether those methods can or will be utilized by the assessor. The collection and maintenance of current and accurate property inventory data is critical to the development of uniform, fair market values.
- C. The best time to begin such a program is immediately after a comprehensive city/town wide revaluation (full measure and list) has been completed.

2.12 Commercial and Industrial Property

- A. Commercial and Industrial property should be reviewed and analyzed very carefully. If possible at least 2 of the 3 approaches to value should be developed:
1. Cost - The application of a cost trending multiplier (from Marshall-Swift, etc.) may be considered for updating building and site values with proper allowances given for depreciation.
 2. Income - All rent schedules, income and expense information and capitalization rates must reflect current market conditions. The necessary information (hopefully) can be obtained from a questionnaire or by interviews with taxpayers or third party sources.
 3. Market - Recent Commercial and Industrial sales may be analyzed and units of value developed from comparable sales. Such unit values may then be applied to comparable non-sold properties. Sales from similar and/or surrounding communities with comparable property bases and market influences may be used for analysis purposes as well.
- B. The assessor shall provide documentation to support the property update program. Such documentation should include sales ratio studies, cost and depreciation schedules, land valuation schedules, income and expense analysis (if available), field review documentation and other information necessary to provide for more accurate property values.

2.13 Public Disclosure

- A. Commercial and Industrial property should be reviewed and analyzed very carefully. If possible at least 2 of the 3 approaches to value should be developed:

1. Cost - The application of a cost trending multiplier (from Marshall- Swift, etc.) may be considered for updating building and site values with proper allowances given for depreciation.
2. Current sales data, including any information obtainable which could influence the accuracy and validity of these sales.
 - a. Notification The assessor should provide notice of a property valuation update program to all taxpayers by a comprehensive public information plan. This information plan could use the news media, the local cable access programs and public meetings in general.
 - b. Review The assessor should provide adequate opportunity for taxpayers to inquire about their proposed new values. The taxpayer should be afforded the ability to review their property record information. The assessor must provide adequate opportunity prior to finalizing valuations and tax billing, either during or after regular office hours for taxpayer inquiries regarding the proposed new values. An appropriate appeal process must be available for the taxpayer

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