

Questions and answers about full-value assessment

Editor's note: The City of Fulton is currently midway through a process of assigning full-value assessments to city properties. In the current step, the city is disseminating public information on the entire process.

Below is part four in a series of questions and answers from a brochure produced by the New York State Board of Real Property Services that was originally released in 1987. If readers save all the questions and answers printed below and in previous issues, they will have the whole brochure and a better understanding of the process.

What is an equalization rate? What is it used for?

As you know, assessors in various municipalities set assessments at different fractions of market value. In one town, for instance, the assessor may attempt to establish assessments at 25 percent of market value; in a neighboring town the assessor may aim for 50 percent; and in a nearby city the assessor may aim for 40 percent.

It is the statutory duty of the New York State Board of Real Property Services to conduct surveys and to determine, from a statistical sample of each municipality's assessment roll, the average fraction of market value at which assessments are being set for a particular year.

The result of this process is the establishment of an equalization rate each year by the state board. Simply stated, an equalization rate represents the average percentage of market value at which assessments in a municipality are set, when compared with the state board's opinion of market value at a given point in time (valuation date). The valuation date used in the state board surveys are usually three to five years behind current market value.

So, if your municipality has an equalization rate of 10, it means that, at the time the state board surveyed your municipality, assessments were—on the average—at 10 percent of the market values established for your municipality for that survey, again three to five years behind current market value.

Equalization rates and the data on which they are based are used for many purposes, including the setting of municipal tax and debt limits; the apportionment of school taxes, when school districts are located in more than one city or town; county taxes among member municipalities; the distribution of many forms of state aid to localities; and the establishment of assessments on specialized types of property.

The establishment of equalization rates each year for nearly a thousand municipalities statewide is a complicated process that has been developed over many years. The various uses of state equalization rates are also complicated and are sometimes confusing to those who do not work daily with the property tax.

However, the simplest definition of an equalization rate is that it measures, as of a specific valuation date or point in time (usually three to five years behind the current market value), the average percentage of market value at which property in your municipality was assessed at that point in time.

Since the equalization rate measures the average ratio of assessed value to market value in our municipality, why can't we just use this number as a "multiplier" to determine the current market value of each house rather than spending money for physical inspections of each property?

The equalization rates established each year by the New York State Board of Real Property Services measure only the average ratio of assessed value to full market value and are based on a market value that is three to five years older than the current real estate market.

Therefore, using the equalization rate as a "multiplier" would not eradicate the inequities found between properties on the current assessment roll.

For instance, assume a municipality contains only three houses, each with a market value of \$40,000; one assessed at \$3,000, another at \$4,000, and the third at \$5,000. The average of the three assessments would be \$4,000, and thus the equalization rate would be 10 (or 10 percent).

If the assessment of each house were simply multiplied by 10 to determine the current value, the assessments would be \$30,000, \$40,000, and \$50,000, respectively. One house would be under-assessed, one would be assessed correctly and one would be over-assessed. Thus the assessment roll would be just as inequitable as before the reassessment.

Since this method is obviously not workable, a physical inspection must be made of each property to gather the information required to determine its current market value.

Isn't there some way we can get an idea of whether our new assessments will mean higher taxes before these assessments are entered on the assessment roll?

Yes, you will be notified of the potential impact on your taxes before the new assessments are placed on the assessment roll.

In order to be eligible for state reimbursement for your municipality's reassessment project, your assessor is required to send you an "assessment-disclosure notice." The notice has two primary functions. It notifies you of the preliminary new assessment of your property and what your taxes would have been last year had this new assessment been available to use last year.

The key words are "what your taxes would have been last year" since it uses prior year tax levies as the basis for the comparison. Current year levies have not yet been developed and, therefore, cannot be used. The notice is therefore only an indicator of whether your taxes would have been higher, lower, or unchanged.

This assessment-disclosure notice will be mailed at least two months before the new assessment is placed on the tentative assessment roll. If you disagree with the preliminary assessment, you'll have a chance to discuss it with your assessor and the professionals conducting the reassessment project before the tentative assessment roll is prepared.

It is important to remember that your actual tax bill(s), using the new assessment, will be based on the current year's budget and may include additional taxes for special districts. If your elected municipal officials decide that it is necessary to increase the property tax levy in the year the new assessments are used, your actual tax bill will not be the same as the taxes indicated on the assessment disclosure notice. When you get your actual tax bill, it's a good idea to compare it to the information on the "assessment-disclosure notice."

If after the filing of the tentative assessment roll, you are still not satisfied you can appeal to the local Board of Assessment Review. If still not satisfied, residential owners can file a small claims petition for an inexpensive, and informal review of their assessment before a small claims hearing officer. The cost to do so is \$25. Parcel owners also have a more formal appeal process available to them through the courts.

If I am dissatisfied with my assessment after I have reviewed the tentative assessment roll, are there any grievance procedures available to me?

If you are dissatisfied with the assessment placed on your property as shown on the Tentative Assessment Roll, you can protest your assessment to your local Board of Assessment Review. You should be given the proper forms, and notified of when the board meets and how the protest should be filed.



Reassessment

If you are dissatisfied with the determination made by the Board of Assessment Review, you can appeal its decision in the courts. Residential owners can have their assessments reviewed at a small claims assessment review hearing. This hearing is conducted on an informal basis, does not require legal representation, and is relatively inexpensive. There is a filing fee of \$25. The petition for review must be filed within 30 days of the filing of the final roll, and a decision must be rendered within 30 days of the hearing.

If a residential owner prefers, this can be bypassed in favor of review through a State Supreme Court proceeding. Nonresidential property owners also will need to file a petition within a certain period and should have legal counsel. This action would be conducted in State Supreme Court.

Isn't it true that, after reassessment, all residential properties will pay more taxes than other types of properties?

No, that's not true. The oft-used statement that commercial property taxes will decrease while homeowners' taxes increase is a generalization that may not be true.

Each locality is a separate case, and generalizations about the impact of reassessments are usually inaccurate when applied to a specific municipality. In each case, the shifts in tax burdens that will take place depend on past assessment practices in the municipality in question, and usually the magnitude of these shifts are very difficult to predict before the reassessment project is started.

However, each parcel must be considered on a case-by-case basis. If an individual's taxes decrease, regardless of type of property, the owner of that property was paying more than his or her fair share of taxes prior to the reassessment. Using the new assessments, each parcel owner will be assured that he or she is paying an equitable share based on the current value of the property.

In municipalities that have gone through reassessments, there have been reports of much public outcry. Why do people get so upset?

Usually those who voice their displeasure with reassessment represent a minority of property owners and generally fall into one of three groups:

•First, there are those whose taxes may very well decrease or be unaffected but who disagree with the new assessment placed on their property. Many are reacting to seeing a realistic assessment for the first time.

While, occasionally, these people are correct and adjustments are made in their assessment, it is generally the case that they simply have no idea of what market values are in their neighborhood.

•Second, there are those who have no argument with the new assessment but who will experience tax increases. These are the property owners who were under-assessed prior to the reassessment and were not paying their fair share of the tax burden. Having been accustomed to relatively small tax bills they understandably resist the idea of paying more.

While it may be easy to sympathize with those in this group, one should bear in mind that for many years the taxes that these property owners escaped because they were under-assessed were paid by those in the community who were over-assessed.

A third group is usually made up of those who simply disagree with the concept of property tax, feel that certain groups should not be granted exemptions or charge that the amount levied by the local government is too high. While these are all legitimate public issues that certainly deserve discussion, they do not involve decisions that are within the authority of your assessor to make. The assessor's job is to make sure that all assessments are equitable so that the tax is collected on a fair basis.

Questions about changes in the methods of financing local governments, the laws that exempt certain properties, or the size of the local government budgets should be aimed at state legislators and the local taxing jurisdictions.

Isn't reassessment really just an attempt by the state and the county to take the assessing responsibility away from the cities and towns?

No, the responsibility for maintaining assessments is, by law, solely that of the local assessor.

The state does not want to assume the responsibility for setting assessments. State-aided reassessment projects are merely an effort by the state to give the assessor the modern tools to do a better job. The county cannot assume assessing duties unless the voters in the county approve such a transfer of responsibility.

Reassessment Terminology

Several terms are used repeatedly in the questions and answers printed in the accompanying article on this page. To provide a clearer understanding, the terms and definitions are listed below.

Full-value assessment - An assessment valuation which is equal to the actual market value of a municipal property.

Partial assessment - An assessment valuation that reflects some fraction of the market value of a municipal property.

Market value - The sale price or expected sale price of a municipal property based on current prices for similar properties being sold within a municipality.

Board of assessment review - A three-to-five member board in each assessing unit to which a property owner can appeal an assessment he or she feels is too high. Such an appeal is called a grievance.

