



## Questions and Answers about Lee Property Value and Assessments

**Q.** Why is my assessment higher than the market value of my property?

**A.** Current assessments were determined based upon the market in 2006 and the market has fallen since then.

**Q.** How can it be ok to have assessments higher than actual value?

**A.** Assessments need to have a relationship to market value, but do not need to be at market value. In the past, market values rose and assessments became lower than market value and that was ok. Likewise, it is also ok when market values fall and assessments become higher than market value. The most important consideration is that each property in town be assessed at the same level in comparison to its market value. Each year the NH Department of Revenue Administration (DRA) calculates an "assessment to sale ratio". For 4-1-09 the DRA determined that ratio to be 114.4%. Therefore, properties are assessed correctly if, in fact, they are assessed for 14.4% more than what their market value was on 4-1-09. Because market values continue to fall, that percentage is continuing to rise.

**Q.** What is the assessment to sale ratio?

**A.** It is the average relationship of assessments to market values as of April 1<sup>st</sup>. It is determined by dividing the assessment of each property that sells by its selling price. It is calculated for those properties which sell in the 6 month periods either side of April 1<sup>st</sup>. The average of those individual ratios is calculated and each year the DRA determines the actual "assessment to sales ratio" for each Town.

**Q.** How long will assessments be based upon the market in 2006?

**A.** The State Constitution and Statutes require that values be updated at least once every five years. The Town has been setting aside monies for the past few years and plans to update all assessed values in 2011 as of the market on 4-1-11.

**Q.** If the market continues to fall and the market on 4-1-11 is such that our current assessments are say 125% of the 2006 indicated values, what will happen to our tax rate?

**A.** Given that we do not at this time know what our 2010 tax rate will be until the DRA determines it this fall, it is impossible to say what will happen to the tax rate in 2011. However, the tax rate is arrived at by dividing the amount of monies needed to be raised by property taxes by the total taxable value of the Town. Therefore, if the amount of monies needing to be raised by property taxes stays the same as the previous year and the total value of the Town falls by 20% (125% minus 100% divided by 125%), then the tax rate would have to increase by 20%.

**Q.** So, in that case, what would happen to my taxes?

**A.** Those properties that were assessed at 125% of their market value would experience no change in the actual tax bill from the previous year. Those properties that were under assessed (assessed at less than 125% of their market value) would experience an increase in taxes, while those properties that were over assessed (assessed at more than 125% of their market value) would experience a decrease in taxes.

**Q.** How is the “amount of monies needed to be raised by property taxes” determined?

**A.** The total amounts of monies in the Town and School operating budgets and warrant articles plus the amounts of monies determined to be our share of the County budget and the State Education Tax are the total amount of money that the Town needs to pay. In addition to the property tax, the Town gets monies from various sources during the year (vehicle permits, grants, 50% of land use change taxes, building permit fees, recycling fees, State reimbursements, etc.). Whatever those sources bring in is deducted from the total amount that the Town needs to pay. Thus whatever the balance is (plus an amount of money, not to exceed 5%, to be set aside for the payment of tax abatements), is the “amount of monies needed to be raised by property taxes”.

**Q.** What happens to my individual taxes when the Town “updates” assessments?

**A.** Because revenues from sources other than property taxes are falling and costs are rising, it is appropriate to think that the amount of monies needed to be raised by property taxes will continue to rise. Again, it is impossible to predict what will happen in 2011, but as an example, let us use an amount of 2.7%\* (because that is the average of the increase over the last 3 years) as the amount that taxes would go up from one year to the next without an update of values. If an individual property is assessed exactly at the average

relationship between the Town's average "assessment to sale ratio", then one can expect that taxes for that property would, given the above scenario, go up 2.7%, the same as if no update were conducted. However, because the "assessment to sale ratio" is an average, not all properties are assessed at that average. Some would see higher than 2.7% increases, while others would see lower than 2.7% increases or possibly even a decrease.

\*As we have indicated above, it is impossible to estimate what the change in the amount of monies to be raised will be in 2011. We have simply used a hypothetical amount of increase rather than assuming no change, because that has never happened in the past.

