



# Informational Guideline Release

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Bureau of Local Assessment  
Informational Guideline Release (IGR) No. 08-402  
August 2008

**FISCAL YEAR 2009 GUIDELINES**  
**FOR**  
**DETERMINING ANNUAL LEVY LIMIT INCREASE FOR TAX BASE GROWTH**

(G. L. c. 59, § 21C(f))

This Informational Guideline Release provides Boards of Assessors with detailed instructions for identifying and reporting growth in their community's property tax base that may be used to increase the FY2009 levy limit, as provided by Proposition 2½. The following forms referenced in the IGR will be included in the *FY09 Tax Rate Recap, Pro Forma Recap and Supporting Forms* materials (Recap Program Instructions) to be issued by the Bureau of Accounts: Form LA-13, "Tax Base Growth Report-FY2009," Form LA-13A, "Amended Tax Base Growth Report, and Form LA-13 "Worksheet".

The tax base growth calculation method and report forms remain the same as last year. **All FY09 tax base growth is calculated using the FY09 valuation schedules.** Assessors must submit Forms LA-13 and 13A electronically. The Division of Local Services (DLS) encourages assessors to use Gateway Online. The Excel Automated Tax Rate Recapitulation Program (Automated Recap Program) is also available. Please follow the signature protocol in the Recap Program Instructions. If Gateway Online is not used, then signed copies of documents must be submitted.

Questions should be referred to your Bureau of Local Assessment field representative.

Topical Index Key:

Distribution:

Proposition 2½

Assessors

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**FISCAL YEAR 2009 GUIDELINES**  
**FOR**  
**DETERMINING ANNUAL LEVY LIMIT INCREASE FOR TAX BASE GROWTH**

**(G. L. c. 59, § 21C(f))**

Proposition 2½ provides a city or town with annual increases in their levy limits of (1) 2.5 percent and (2) an additional amount based on the valuation of certain new construction and other allowable growth in the tax base that is not the result of property revaluation ("new growth"). These annual increases are allowed so long as they do not result in a levy limit above the levy ceiling of 2.5 percent of full and fair cash valuation. If that occurs, the levy limit equals the levy ceiling. General Laws Chapter 59, Sections 21C(b) and (f).

The Commissioner of Revenue is required to determine the annual levy limit for each city and town. In order for the Commissioner to do so, cities and town must submit information documenting allowable tax base growth prior to setting the tax rate. The Commissioner cannot approve a tax rate for any city or town that does not submit a report on its allowable tax base growth for that fiscal year. G.L. c. 59, § 21D.

These guidelines explain the requirements and procedures to be used by the assessors in calculating and reporting allowable tax base growth in Fiscal Year 2009.

**I. QUALIFYING TAX BASE GROWTH**

Tax base growth under Proposition 2½ includes any parcel of real property or article of personal property that:

- is subject to taxation for the first time (*e.g.*, new articles of personal property or previously exempt property);
- is being taxed as a separate parcel for the first time (*e.g.*, subdivisions or condominium conversions); or
- has increased in assessed valuation over the prior year so long as the increase is not due to a revaluation program.

## II. DETERMINING TAX BASE GROWTH

### A. Allowable Value

The increase permitted in a community's FY09 levy limit for tax base growth is based on the allowable value for qualifying properties. The allowable value represents increases in the FY09 assessment roll attributable to changes in the taxable unit, taxable status or physical condition of properties occurring since the FY08 assessment.

The allowable value does not include any increases attributable to changes in the market value of properties in the community, nor is it reduced or offset by decreases in the community's total assessed valuation due to property changes occurring since FY08.

#### 1. Non-revaluation Year

If FY09 is a non-revaluation year, the community's allowable value is determined by comparing the FY08 assessed valuations of parcels and articles with their FY09 assessed valuations.

The FY08 assessed valuation is the valuation of the parcel or item that established the taxpayer's final FY08 tax obligation. Therefore, it must include any value assessed as omitted or revised assessments, as well as exclude any value abated in FY08 that is reflected in the FY09 assessed valuation.

#### 2. Revaluation Year

If FY09 is a revaluation year, the community's allowable value is determined by comparing the adjusted valuations of parcels or articles with their FY09 assessed valuations.

The purpose of determining adjusted valuations is to exclude those increases in a community's FY09 assessed valuations attributable solely to changes in market value, rather than changes in the taxable unit, taxable status or physical condition of properties.

- a. A revaluation means any revaluation, reassessment, interim year adjustment, equalization or other valuation adjustment program, including trending, whether or not the community is scheduled for triennial certification in FY09.

This term also includes the (1) adjustment of appraisal factors, such as grade or condition, or (2) implementation of new valuation systems and methods, for all or some properties resulting in valuation changes in those properties even though they have not had a change in their taxable unit, taxable status or physical condition since the FY08 assessment.

- b. The adjusted valuation represents what the FY09 assessed valuations would have been for the properties if they had not had a change in their taxable unit, taxable status or physical condition since the FY08 assessment. In other words, it reflects the FY09 valuation schedules applied to FY08 property descriptions (*i.e.*, the property before the new construction or the change in taxable unit or status).

## B. Applicable Time Period

To qualify as FY09 tax base growth, properties must have undergone some change in their physical condition due to construction activity or in their taxable unit or status since the FY08 assessment that results in increased assessed valuations for FY09.

### 1. Construction Activity: New Buildings, Additions and Alterations

All parcels with any increases in their FY09 assessed valuation over their FY08 assessed valuation due to any new buildings, additions, renovations or other new construction on the parcels occurring during the following timeframe qualify as FY09 tax base growth:

- Calendar year 2007 (January 1, 2007 to December 31, 2007) for communities that have not accepted c. 653, §40 of the Acts of 1989. G.L. c. 59, §2A(a).

Chapter 653 permits the accelerated assessment of new construction and improvements built between January 1 and June 30.

- Calendar year 2007 and the first six months of 2008 (January 1, 2007 to June 30, 2008) for communities implementing c. 653 for the first time in FY09.
- Fiscal year 2008 (July 1, 2007 to June 30, 2008) for all other c. 653 communities.

2. Subdivisions and Condominium Conversions

All parcels that are being assessed as a separate parcel for the first time as of January 1, 2008 for FY09, due to a lot split, subdivision or condominium conversion occurring during calendar year 2007, qualify as FY09 tax base growth if there has been a net increase in the FY09 assessed valuations of the new parcels over the FY08 assessed valuation of the undivided parcel.

3. Exempt Property Returned to Tax Roll

All parcels not wholly taxable in FY08 that are being assessed as of January 1, 2008 for FY09 because they are no longer eligible for a full or partial exemption qualify as FY09 tax base growth.

Also qualifying are parcels that are being assessed for the first time in FY09 for any increase in value that took place during the period they received a partial special tax assessment or tax increment financing (TIF) exemption.

4. Personal Property: New Articles

All articles of personal property that are being assessed for the first time as of January 1, 2008 for FY09, including accounts of all new personalty, new additions to existing accounts and previously exempt personalty, qualify as FY09 tax base growth. Also qualifying would be any personalty refurbished or enhanced during calendar year 2007 if its FY09 assessed valuation increased over its FY08 assessed valuation. **NOT QUALIFYING**, however, would be any personalty assessed in FY08 that is being assessed for FY09 as part of a new account because of a change in ownership alone.

5. Other Allowable Tax Base Growth

All parcels of real property or articles of personal property with any increases in their FY09 assessed valuations over their FY08 assessed valuations as a result of some other change in or event impacting the property before the FY09 assessment, **EXCEPT REVALUATION**, qualify as FY09 tax base growth.

Example No. 1. A parcel would qualify as FY09 tax base growth if its removal from G.L. c. 61A classification during calendar year 2007 results in an increase in its FY09 assessed valuation over its FY08 assessed valuation.

Example No. 2. A parcel would qualify as FY09 tax base growth if a zoning change, or the construction of public improvements (roads, sewers, etc.), during calendar year 2007 results in an increase in its FY09 assessed valuation over its FY08 valuation.

Example No. 3. A piece of machinery owned and used by an individual in conducting a business would qualify as FY09 tax base growth if it was completely refurbished during calendar year 2007 resulting in an increase in its FY09 assessed valuation over its FY08 assessed valuation.

Example No. 4. A parcel of commercial property that has not had any change in its physical condition **WOULD NOT QUALIFY** as tax base growth if (a) the use of the cost approach method in FY09, rather than the income approach used in FY08, (b) the separate pricing of existing improvements (driveways, fences, etc.), or (c) the adjustment of an appraisal factor such as its grade or condition, results in an increase in its FY09 assessed valuation over its FY08 valuation.

#### **C. Applicable Tax Rate**

The usage classification of properties on January 1, 2008 for FY09 governs which prior year's tax rate is applicable.

Example. On January 1, 2007 for FY08, a parcel of vacant land was classified as commercial property. During 2007, a four-unit apartment building was constructed on the property substantially increasing its assessed valuation for FY09. Since the parcel is classified as residential property as of January 1, 2008 for FY09, the FY08 residential tax rate will be applied to the allowable value to determine the amount of the levy limit increase permitted.

#### **D. Calculation of Levy Limit Increase**

The amount of increase permitted in the community's FY09 levy limit for tax base growth is calculated by multiplying the allowable valuation for all qualifying parcels of real property and items of personal property by the applicable FY08 tax rate.

### **III. REPORTING REQUIREMENTS AND PROCEDURES**

#### **A. Report Form and Content**

All Boards of Assessors must submit a report on allowable tax base growth to the Bureau of Local Assessment before setting their FY09 tax rates on Form LA-13, "Tax Base Growth Report."

An aggregate reporting format is used. Under this format, the total allowable valuation and levy limit increase for FY09 is calculated by making adjustments in a community's FY08 assessed valuation base and is then reported on an aggregate basis. The allowable valuation for each parcel and item that qualifies as tax base growth is not calculated and reported individually.

Detailed instructions for completing Form LA-13 are attached. Electronic submission is required using either Gateway Online or the Automated Recap Program. The signature protocol is set forth in the Recap Program Instructions. If Gateway is not used, then a sign copy must be submitted.

#### **B. Submission of Report**

In order to prepare and submit an accurate and complete tax base growth report, the assessors must have finalized FY09 assessments.

##### **1. Communities Not Completing Revaluation**

Assessors in communities not revaluing property in FY09 may submit information on tax base growth at any time after they finalize their FY09 assessment roll. Assessors should submit their tax base growth report to the Bureau of Local Assessment with the Form LA-4, "Assessment/Classification Report."

##### **2. Communities Completing Revaluation**

If a community is completing a revaluation, reassessment, interim year adjustment, equalization or other valuation adjustment program in FY09 for the purpose of meeting triennial certification requirements or otherwise, the assessors will not be able to calculate the allowable valuation until the program, including public disclosure that may result in assessment changes, is completed. Once the valuations are final, the assessors may submit their tax base growth report to the Bureau of Local Assessment. The assessors should submit that report with the Form LA-4, "Assessment/Classification Report."



C. **Certification of Tax Base Growth**

The Bureau of Local Assessment will review the tax base growth report submitted by the assessors, certify the amount of tax base growth, if any, substantiated by the assessors and notify the Bureau of Accounts. The Bureau of Accounts will then increase the community's FY09 levy limit accordingly.

Tax base growth will not be reviewed and certified until the Form LA-4, "Assessment/ Classification Report," has been submitted and approved.

D. **Approval of Tax Rate**

A community's FY09 tax rate will not be approved by the Bureau of Accounts until a tax base growth report is submitted to and approved by the Bureau of Local Assessment.

E. **Submission Final Upon Approval of Tax Rate**

Unless the assessors submit an "Amended Tax Base Growth Report" for FY09 in the manner explained in Section III-F below, the amount of tax base growth certified by the Bureau of Local Assessment before the setting of the FY09 tax rate is final and the FY09 levy limit, as increased by that amount, is the base for calculating the community's levy limit in FY09.

F. **Amended Tax Base Growth Report**

The assessors may submit **one** "Amended Tax Base Growth Report" (Form LA-13A) for **each** fiscal year for the purpose of reporting any allowable tax base growth that was inadvertently omitted from the original tax base report submitted for that year.

1. **Report Deadline**

Amended reports for a fiscal year must be submitted to the Bureau of Local Assessment before the setting of the tax rate for the next fiscal year.  
**Amended reports submitted after that time will not be accepted.**

2. Form and Content

Under the aggregate reporting format, all tax base growth for parcels and accounts included in the actual tax commitment for a particular fiscal year is reported. Therefore, the amended report consists only of those additions to the commitment (omitted or revised assessments) that result in an increase in the year's assessed valuation (or adjusted valuation if a revaluation year) of a parcel or personal property item over its prior year's assessed valuation.

a. FY08 Amended Tax Base Growth Reports

Any amended report for FY08 must be submitted before the setting of the FY09 tax rate and may include those additions to the FY08 commitment (omitted or revised assessments) that result in an increased FY08 assessed (or adjusted) valuation of a parcel or personal property item over its FY07 assessed valuation.

b. FY09 Amended Tax Base Growth Reports

The amended report for FY09 will be submitted before the FY09 tax rate is set and will include those additions to the FY09 commitment (omitted or revised assessments) that result in an increased FY09 assessed (or adjusted) valuation of a parcel or personal property item over its FY08 assessed valuation.

3. Certification of Additional Tax Base Growth

If the assessors submit an amended report, the Bureau of Local Assessment will certify the amount of any additional tax base growth and notify the Bureau of Accounts. The Bureau of Accounts will then recalculate the community's levy limit and notify the assessors of the new base for the purpose of calculating the succeeding year's levy limit.

## INSTRUCTIONS FOR COMPLETING TAX BASE GROWTH REPORT

The Tax Base Growth Report (Form LA-13) is designed to establish the allowable valuation for all qualifying tax base growth by calculating the increase in assessed valuation on an aggregate rather than property by property basis. Because the allowable valuation and resulting levy limit increase is based solely on increases in the current year's assessment roll, this reporting method requires the assessors to first adjust the prior year's assessed valuations so that any decreases in those valuations for the current year will not be offset against the increases. If there has been a revaluation or interim year valuation adjustment, an additional adjustment must be made to account for the portion of the current year's assessed valuation that is attributable to the revaluation. The difference between this adjusted valuation base and the current year's proposed assessed valuations will be the allowable valuation of all tax base growth.

The columns on the Form LA-13 must be completed as explained below. The documentation required to support all reported amounts is also explained. **Supporting documentation should be retained in the Assessors' Office for at least 5 years in the event of an audit.**

### DETERMINE FY2008 VALUATION BASE

#### COLUMN A - FY2008 VALUE COMMITTED TO TAX COLLECTOR

Insert in Column A the actual FY08 assessed valuation for real and personal property shown in the original commitment to the tax collector and the Form LA-4, "Assessment/Classification Report" used in setting the FY08 tax rate.

Documentation: The FY08 Real and Personal Tax Commitments.

#### COLUMN B - BILLS REVISED AND OMITTED

List in Column B the number of revised and omitted assessments made for real property parcels in FY08 and the amount of additional assessed valuation that resulted.

Documentation: A parcel listing by property class (as shown on the Form LA-13) of all FY08 Omitted and Revised Assessment Commitments reported in Column B. The amount of additional assessments reported should also reconcile with the amount reported to the Bureau of Local Assessment. See Property Tax Bureau Informational Guideline Release No. 90-215 *Omitted and Revised Assessments*.

### **COLUMN C - ABATEMENTS**

List in Column C only the number of abatements granted on real property parcels in FY08 and the amount of FY08 assessed valuation abated that is reflected in their FY09 assessed valuations. In other words, the number and value of abatements granted for reasons that continue to apply in FY09.

**Example No. 1.** A parcel was originally assessed for \$400,000 in FY08. An abatement of \$50,000 was granted to correct an error in the square footage. Therefore, the final FY08 assessed valuation of the parcel was \$350,000. No changes occurred in the property during 2007 so that the FY09 assessed valuation remained \$350,000. Because the \$50,000 abatement is reflected in the FY09 valuation, it should be included in Column C.

**Example No. 2.** A parcel was originally assessed for \$100,000 in FY08. An abatement of \$25,000 was granted because the house was 75%, not 100% complete as assessed. The house was completed during 2007 so that the FY09 assessed valuation will now be \$100,000. In this case, the reason the abatement was granted does not apply to the property in FY09 so that none of the \$25,000 valuation decrease associated with it is reflected in the FY09 assessed valuation. Therefore, this abatement is not included in Column C.

Documentation: Abatement Certificate Book (if the property use classification is noted on the certificates) or a parcel listing by property class (as shown on the Form LA-13) of all FY08 abatements indicating those reflected in FY09 assessed valuations and reported in Column C.

### **COLUMN D - OTHER ADJUSTMENTS**

List in Column D the number and amount of other non-revaluation adjustments made to the FY08 real property assessed valuation base. Adjustments to be reported in Column D include parcels that have had decreases in total assessed value due to property changes or have had major property use classification changes.

**Non-Revaluation Year:** If FY09 is not a revaluation year, the amounts reported in Column D as adjustments for property or class changes will be the difference between the FY08 and FY09 total assessed valuations of the parcel.

**Revaluation Year:** If FY09 is a revaluation year or interim adjustment year, **all amounts reported in Column D should be determined before the revaluation.** This means the amount listed should be the difference between the FY08 assessed valuation and what the parcel would have been assessed for in FY09 if the revaluation had not occurred (*i.e., using FY08 valuation schedules*).

### PROPERTY CHANGES

List the number of parcels that have had total assessed valuation decreases for FY09 due to changes in their taxable unit, taxable status or physical condition since FY08, and the amount of those decreases. Examples would include parcels that decreased in value because of:

- a physical change such as a fire or demolition.
- a change to full or partial tax exempt status.
- the merger of two or more parcels into a single parcel with a net decrease in their assessed valuation.
- the qualification for G.L. c. 61, 61A or 61B or a restrictive easement.
- the applicability of a zoning change with a decrease in value.

Please Note: For subdivisions and condominium conversions, do not include in Column D any parcel that has been deleted or has decreased in value as a result of the change in taxable unit.

### CLASS CHANGES

List the number of parcels with changes in major usage classification for FY09 (for example, from residential to commercial class) and the amount of the change in the assessed valuation base of those classes. To allow for clarity and verification, we recommend that changes in usage within a major class (for example, from residential 130 to residential 101) also be listed, particularly if different revaluation adjustments have been used within the major class.

- Increases/No Change in Value: If the FY09 assessed valuation of the parcel with the class change increased or remained the same as its FY08 valuation (before any revaluation adjustment), subtract the FY08 valuation from the FY08 class base and add the same amount to the FY09 class base.

**Example No. 1. NON-REVALUATION YEAR.**

For FY08 a parcel of commercial vacant land was assessed for \$50,000. A single family house was then constructed on the land. In FY09, the property was classified as residential property and will be assessed for \$200,000. This class change should be reported in Column D as a \$50,000 decrease in the value of the commercial class and a \$50,000 increase in the value of the residential (101) class. This will equalize the valuation base and ensure that the \$150,000 increase in value due to the new house will be included in the proper class for computing the levy limit increase.

**Example No. 2. REVALUATION YEAR.**

For FY08, a commercial parcel was assessed for \$150,000. For FY09, it was converted to an industrial warehouse and will be assessed, after revaluation, for \$140,000. However, if no interim year adjustment in value had been made, the parcel would have continued to be valued at \$150,000. The class change should be reported in Column D as a \$150,000 decrease in value of the commercial class and an increase of the same amount in the industrial class.

- Decrease in Value: If the FY09 valuation of the parcel with the class change decreased from its FY08 value (before any revaluation adjustment), subtract the FY08 valuation from the FY08 class base and add the FY08 valuation, or the value before any revaluation adjustment, to the FY09 class base.

**Example No. 1. NON-REVALUATION YEAR.**

For FY08 a parcel of residential vacant land was assessed for \$70,000. The property qualified for c. 61A classification and will be assessed for \$25,000 in FY09. This change should be reported in Column D as a \$70,000 decrease in the value of the residential (130) class and a \$25,000 increase in the value of the commercial class (or open space class if the community has adopted the local option to classify c. 61A land as open space). This will equalize the valuation base and ensure that the \$45,000 decrease in value due to the chapter land assessment does not offset increases in the FY09 valuation of other commercial (or open space) properties.

**Example No. 2. REVALUATION YEAR.**

For FY08, a parcel of commercial land was assessed for \$300,000. For FY09, the land has been reclassified as industrial and valued at \$150,000. If an interim year valuation adjustment had not been made, the parcel would have been valued at \$200,000. The class change should be reported in Column D as a \$300,000 decrease in the commercial class and a \$200,000 increase in the industrial class.

These adjustments of the FY08 assessed valuation base will ensure that any increases in the value of parcels with class changes will be reported as tax base growth and that the proper tax rate is applied to calculate the resulting levy limit.

Documentation: A parcel listing by property class of each adjustment reported in Column D, including the amount of and reason for the adjustment.

### **COLUMN E - FY2008 VALUE BASE**

Determine the **FY08 Value Base** by adding the **Bills Revised and Omitted** in Column B to the **FY08 Value Committed to Tax Collector** in Column A, subtracting the **Abatements** in Column C and adding or subtracting the **Other Adjustments** in Column D. (Column E = A + B - C ± D). (Note: This formula and others are programmed into the DLS Gateway Online and Automated Recap Programs.)

### **DETERMINE REVALUATION ADJUSTMENT**

### **COLUMN F - REVALUATION/INTERIM YEAR ADJUSTMENTS**

Determine the adjustment required in the **FY08 Value Base** reported in Column E to exclude from growth calculations any changes in FY09 assessed valuations due to a revaluation, reassessment, equalization or other valuation adjustment program.

In most cases, the revaluation adjustment will have to be estimated as explained below. However, some computer-assisted mass appraisal systems have the capability of computing the actual amount of increased valuation attributable to the revaluation. If so, that dollar amount should be inserted in the Column F as the revaluation adjustment.

Where the property class is small, the actual amount of allowable valuation can be calculated on a parcel by parcel basis (adjusting the previous year's value if there was a revaluation or interim year adjustment). In this case, the total allowable valuation for the class should be subtracted from the **FY09 Proposed Valuation** (Column H). The difference between that amount and the **FY08 Value Base** (Column E) should be inserted in Column F as the revaluation adjustment.

### TRENDING

If FY09 assessed valuations were determined by use of a single trending factor applied to properties in any or all of the classes shown in the Form LA-13, the revaluation adjustment should be estimated by multiplying the trending percentage by the amount shown in Column E for that class. In the Gateway Online and Automated Recap Programs, the resulting amount in Column F and the trending percentage will be calculated.

For example, if the values of all residential condominiums (class 102) were increased by a factor of 10%, multiply the amount shown in Column E by 10%. Insert that amount, rounded to the nearest valuation dollar, and 10% in Column F.

### OTHER PROGRAMS

If FY09 assessed valuations were determined by some other method, such as adjusting the valuation system or appraisal factors in any or all classes, the assessors should estimate the revaluation adjustment by deriving an overall percentage change factor for each class which will reflect the revaluation difference between FY08 and FY09.

Three alternative methods suggested for deriving the factors for each property class are to calculate: (1) the aggregate percentage change in valuation between FY08 and FY09 for a representative sample of revaluation-only parcels in the class (parcels with valuations reflecting the revaluation program only, not any change in physical, taxable unit or taxable status since FY08); (2) the aggregate percentage change in valuation between FY08 and FY09 for all revaluation-only parcels in the class; or (3) the aggregate percentage change between the FY09 valuation of the class before and after the revaluation using the Form LA-4 (Assessment/ Classification Report).

### Method 1: Sampling

Selecting the Sample. There are many circumstances that affect the way in which a community conducts this sampling process. The sample should include 5% of the property class or 20 parcels, whichever is greater. The properties selected for the sample should not have had any changes in their physical condition, taxable status or taxable unit since FY08. However, properties without physical, status or unit changes that have had a change in an appraisal factor, such as grade or condition, as part of the revaluation process should be included in the sample.



If the property class is fairly homogeneous (for example, if most single family residential properties (class 101) are about the same age, if there are only minor valuation differences between predominant styles or if neighborhoods are not very disparate) a 5% systematic random sample of all parcels in the class could be chosen. If the property class is heterogeneous, a stratified sample, weighted to reflect the valuation influences, would be more representative. For example, a community has three distinct neighborhoods that strongly influence the value of class 101 properties: Neighborhood A comprises 45% of the total parcels for this class, Neighborhood B 25% of the parcels and Neighborhood C 30%. If a 5% sample of the entire class is 100 parcels, 45 should be chosen randomly from Neighborhood A, 25 from B and 30 from C. In very heterogeneous communities, further stratification by style, age, etc. may have to be done to develop a truly representative sample.

Stratification of commercial and industrial samples may be especially important in isolating the effect of revaluation. If the revaluation affected specific commercial and industrial properties differently, then parcels in those classes must be stratified. For example, separate samples should be drawn from downtown and outskirt areas, from retail, office and warehouse sectors, etc. If there are not sufficient parcels in each sub-group, the parcel by parcel method of identification may have to be used. In some instances, a community with one or two unique properties (for example, a large shopping mall or a factory) may have to determine the revaluation factor separately for these parcels and then estimate the adjustment for the remaining properties in the class by sampling.

Deriving the Adjustment Factor. Once the sample is selected, the revaluation adjustment factor is calculated as a total or aggregate sample percentage change by: (A) Adding all FY08 values, as abated, of the sample parcels, (B) Adding all FY09 values of the sample parcels, (C) Calculating the total difference, (D) Dividing the total difference by the FY08 total value ( $C \div A$ ) and (E) Multiplying the result by 100. The resulting percentage should be carried out at least 3 decimal points (for example: 12.432%, or  $9.5556\% = 9.556\%$ ).

### **Method 2: Aggregate Change Factor**

Identifying the Parcels. In communities with the system capability, an alternative method of calculating the revaluation adjustment is to derive a total or aggregate percentage change factor for each property class by comparing the FY08 and FY09 total valuations of parcels in the class that reflect the impact of the revaluation program only. Therefore, the first step in using this method is to identify all parcels with any changes in physical condition, taxable status or taxable unit since FY08 in order to exclude them from the analysis. The adjustment factor is then derived from the total valuation of the remaining parcels in the class, which would include those parcels that did not change in value in FY09 or had FY09 valuation changes attributable solely to revaluation. Parcels that had a FY09 valuation change due to a change in an appraisal factor, such as grade or condition, as part of the revaluation process would also be included in the group analyzed.

Deriving the Adjustment Factor. Once the entire group for analysis is identified, the adjustment factor is derived in the same manner as it is using the sampling method by: (A) Adding all FY08 values, as abated, of the group, (B) Adding all FY09 values of the same parcels, (C) Calculating the total difference, (D) Dividing the total difference by the FY08 total value ( $C \div A$ ) and (E) Multiplying the difference by 100. The resulting percentage should be carried out at least 3 decimal points (for example: 12.432%, or  $9.5556\% = 9.556\%$ ).

### **Method 3: LA-4 Comparisons**

Completing the Forms LA-4. In communities with the system capability, a third method for calculating the revaluation adjustment is to derive a percentage change factor for each property class from a comparison of the total class valuation before and after the revaluation, using Forms LA-4, the Assessment/Classification Report. Under this method, before undertaking the revaluation, valuations should be determined for all parcels that had changes in their physical condition, taxable status or taxable unit since FY08, and a valuation total for all parcels (changed and unchanged) determined and recorded on a Form LA-4. After the revaluation, a percentage change factor is derived by comparing the total class valuations on that Form LA-4, which would reflect all FY09 valuation changes except those for the overall revaluation program, with those shown on the final Form LA-4 completed for tax rate purposes. FY09 valuation changes due to changes in an appraisal factor, such as grade or condition, made as part of a revaluation, should also be reflected on the final Form LA-4 with other revaluation changes.

Deriving the Adjustment Factor. The revaluation adjustment factor is derived using this method by: (A) Calculating the difference in the property class total valuation before and after the revaluation, (B) Dividing the difference by the pre-revaluation total valuation (shown on the first Form LA-4) and C) Multiplying the result by 100. The resulting percentage should be carried out at least 3 decimal points (for example: 12.432%, or 9.5556% = 9.556%).

Once the estimated adjustment factor for each class is derived by the chosen method, it should be multiplied by the **FY08 Value Base** (Column E) for that class, and then rounded to the nearest valuation dollar. Insert the resulting amount in to Column F in the Gateway Online or Automated Recap Program.

SEPARATELY PRICED IMPROVEMENTS/  
MISCELLANEOUS VALUATION ADJUSTMENTS

Column F should also be used to list increases in FY09 assessed valuations of properties compared to their FY08 assessed valuations due to the separate pricing of improvements (driveways, fences, etc.) that existed on the properties at the time of the FY08 assessment, the redefining of specific valuation characteristics or the use of a different valuation method (cost rather than income, for example). These increases are considered to be market value changes and are not allowable new growth. They may be in addition to valuation increases due to the overall revaluation program.

**Example No. 1.** In FY08, a commercial parcel was assessed for \$400,000 using the income approach. The property consisted of land, 2 small buildings, a paved parking lot, a large lighted sign and a perimeter chain link fence. In FY09, the cost approach was used and each improvement was separately priced and depreciated.

Even though the physical condition of the property remains unchanged since FY08, the total proposed value for the parcel in FY09 under the new valuation method will be \$405,000. The \$5,000 increase in value attributable to the separate pricing and the new valuation method must be reported in Column F.

**Example No. 2.** During the revaluation process, the assessors determine that 10 houses identified as colonials in FY08 should now be identified as antiques because the market indicates that houses over 75 years have special value. The \$80,000 increase in value attributable to the redefining of valuation characteristics must be reported in Column F.

Documentation: The derivation of the revaluation factor by property class. If sampling was used, an explanation of the type of sample selected and the reason for selecting it, as well as a list of the sample parcels and their values. If the aggregate change method was used, an explanation of how the revaluation-only group was determined and supporting printouts or computation papers. If the Form LA-4 comparison method, the Forms LA-4 dated and clearly labeled.

For any value included in Column F, due to separate pricing of existing improvements or miscellaneous valuation adjustments, a parcel listing by property class of the amount and reason included.

### **COLUMN G - TOTAL ADJUSTED VALUE BASE**

Determine the **Total Adjusted Value Base** by:

- Adding the dollar amount of the **Revaluation/Interim Year Adjustment** in Column F to the **FY08 Value Base** in Column E if the revaluation/adjustment reflected an increase in assessed valuations. (Column G = E + F)

OR

- Subtracting the dollar amount of the **Revaluation/Interim Year Adjustment** in Column F from the **FY08 Value Base** in Column E if the revaluation/adjustment reflected a decrease in assessed valuations. (Column G = E - F)

If there has been no revaluation adjustment, the **Total Adjusted Value Base** will be the same as the **FY08 Value Base** in Column E.

## **DETERMINE FISCAL YEAR 2009 VALUATION**

### **COLUMN H - FY09 PROPOSED VALUATION**

Insert in Column H the proposed FY09 assessed valuations for all real and personal property. The valuations used must be the valuations reported for the purpose of calculating the FY09 minimum residential factor and tax rate as shown on the "Assessment/Classification Report" (Form LA-4).

Documentation: The "Assessment/Classification Report" (Form LA-4) and the FY09 Real and Personal Property Commitments.

## **DETERMINE ALLOWABLE VALUATION AND LEVY LIMIT INCREASE**

### **COLUMN I - NEW GROWTH VALUATION**

Determine the allowable valuation increase for real and personal property as follows:

- Real Property

Determine the allowable valuation increase for each major class (Residential, Open Space, Commercial and Industrial) by subtracting the **Total Adjusted Value Base** in Column G from the **FY09 Proposed Valuation** in Column H. (Column I = H - G)

- Personal Property

Determine the allowable valuation increase for Personal Property by adding the FY09 proposed assessed valuations of all new or refurbished items.

Documentation: A listing by account of new or refurbished items and their assessed valuations. If the allowable valuation for the account is greater than the difference between the FY08 and FY09 assessed valuations, all new items, including inventory, must be listed in detail.

### **COLUMN J - PRIOR YEAR TAX RATE**

List in Column J the FY08 tax rate or rates.

### **COLUMN K - LEVY GROWTH**

Determine the increase in the FY09 levy limit for tax base growth by dividing the **New Growth Valuation** in Column I by 1000 and multiplying the result by the appropriate **FY08 Tax Rate** in Column J. (Column K =  $I \div 1000 \times J$ ).