

**Review of Sales Processing for the DRA Equalization Study:
Being Consistently Inconsistent**

By

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1. Introduction

Almy, Gloude-mans, Jacobs & Denne, Property Taxation and Assessment Consultants, was retained by the Coalition Communities to evaluate the State of New Hampshire's readiness to implement the statewide school property tax required by HB 999 (1999). As part of our review, we conducted an in-depth audit of the sales used in the Department of Revenue Administration's (DRA's) 1997 and 1998 equalization studies in 33 municipalities. We found that municipalities are inconsistent in screening and processing sales for the DRA's equalization study. Further, we found that the DRA largely ignores its own guidelines and is highly inconsistent in how it processes sales. The cumulative effect of these inconsistencies and discrepancies seriously undermines the credibility and reliability of the DRA's studies. A complete overhaul is required before one can have reasonable confidence in the system.

Section 2 of this report outlines the way sales are processed in the DRA study. Section 3 summarizes the methodology used in our audit study. Section 4 details our findings and section 5 summarizes our conclusions. There are two appendices. The first highlights specific findings in each town and the second focuses on DRA inconsistencies within towns (inconsistencies among towns are summarized in section 4). The findings of the audit study are also summarized in our complete report, *Review of Reassessment Practices and Equalization in New Hampshire* (March 2000). It quantifies the impact of sales screening and processing deficiencies on DRA's reported ratio study measures.

2. DRA Study Methodology

This section provides an overview of the data and processing procedures used in the DRA's annual equalization studies. It also contains DRA's guidelines for the processing and editing of sales used in the studies.

2.1 Data Collection and Edit Process

The DRA makes an annual equalization study based on assessments determined as of April 1 of the study year. Although not required to, the DRA limits sales used in the study to the 12-month period centered on the assessment date. Thus, for example, sales from 1 October 1997 through 30 September 1998 were used for the 1998 study. The DRA distributes sales listing sheets (termed "municipal assessment sheets") to municipalities generally in November, and the study is to be completed in March of the following year.

DRA contracts with a private company, Real Data Corporation (RDC), to gather the sales used in the studies. RDC visits the county registries and attempts to list real estate transfers occurring in each municipality during the study period. Sales prices are generally inferred from the amount of real estate transfer tax paid. The DRA instructs the RDC not to collect sales of less than \$4,000 (minimum amount for the transfer tax) or timeshare sales. The RDC assigns a sequential number, known as the "Averno" number, to each sale identified.

In addition, the DRA administers a Real Estate Transfer Questionnaire (form PA-34), which buyers are asked to complete at time of sale and submit to the DRA. Beginning in 1999, buyers are to submit a copy of the form to municipalities as well. Section 4 of previous versions of the form (and section 1 of the current version) asked buyers to check a box indicating whether one of many conditions that would normally invalidate a sale from use in the study had been met. However, the type of sale or specific reason for potentially invalidating the sale is not solicited. DRA policy regards all sales for which this box is checked as unusable (although we found instances where such sales are used anyway). Instructions on how to complete the form are vague. Although the DRA considers a sale to be verified if the form is received, the form is insufficient to determine the proper disposition of many if not most sales.

On the municipal assessment sheets distributed to municipalities, the DRA lists sales collected by RDC and flags certain sales as unusable, which assessors need not respond to. These include foreclosure, fiduciary, tax, timber, easement, and sheriff's sales, as well as supposed multiple parcel conveyances ("MPCs"). Unfortunately, RDC appears often to use the MPC designation for sales for which it cannot determine a price (some of which appear to be good sales). Aside from sales flagged by the DRA, municipalities are supposed to list the current and previous assessed value, a property type code, and any relevant comments concerning the sale. Unlike most states, assessors are not asked to provide codes indicating the specific nature of the sale and their conclusion of validity. Thus, the DRA must determine the usability of the sale based on the assessor's comments, which range broadly. Since New Hampshire does not have a standard parcel numbering system, finding and properly listing each sale can also be problematic.

The DRA reviews municipal assessment sheets returned by municipalities and codes each sale as valid or invalid for purposes of its study. The DRA relies heavily on assessor comments in this process. We found, first, that assessors complete the municipal assessment sheets in a myriad of ways and, second, that the DRA accepts virtually whatever is submitted, resulting in pervasive inconsistencies and departures from DRA standards. In fairness to the DRA, it appears that the agency simply does not have the staff to do an adequate job even if proper procedures were in place.

2.2 DRA Guidelines

We reviewed available written information to ascertain DRA procedures and policies on conducting the equalization ratio studies. *The New Hampshire Assessing Reference Manual*, updated September 1997, contains a broad overview of the assessment calendar, relevant statutes, the equalization process, methods of valuation, revaluations and updates, public relations, and taxpayer rights. It does not contain specific information on how DRA conducts an equalization ratio study and determines the sales to be used. The only document found that contains such specifics is in “Mini Course VIII, The Equalization Process - C.O.D.” prepared by the Appraisal Division of the Department of Revenue Administration. This document apparently was created in the 1989-90 period. It does contain very specific detail on how sales are to be screened and processed for purposes of the study.

Because DRA policies and procedures are so critical to proper and consistent treatment of sales, we believe that it is important to cite unedited what appears, as best as can be determined, to be DRA’s current guidelines. The citations below begin on page 10 of the DRA document, with the most pertinent items italicized:

D. Adjustment to the Sales Data

1. Based on information gathered from the verification forms as well as information obtained from local assessing officials, the allowable items shall be subtracted from the sale price as indicated by the transfer tax stamps:

a. The value of marketable wood and timber as considered by the grantee at the time of purchase.

b. The value of personal property such as furnishings, boats, machinery, cattle, farm implements, etc., as considered by the grantee at the time of purchase.

2. When the above adjustments appear to be unreasonable for an individual transaction, that transaction shall be removed from the survey.

3. Adjustments to the sale prices for time shall not be made. The sales period considered shall be the six-month period prior to April 1st and the six-month period after April 1st.

5. Obtaining the Assessments for the Sales Data

To establish an assessment-sales ratio for each of the properties in the survey, the following figures shall be used:

1. The sales price for the property and

2. *The assessment on that property which reflects the relevant assessment at the time of the sale. This shall be collected for a two-year period; the year for which the average assessment-sales level is being computed and the year preceding in order to determine the following:*

a. Whether or not the assessed value was adjusted due to the sale price. If adjusted for this reason, the department shall use the assessment prior to the adjustment for purposes of computation.

b. If the local assessors have conducted a revaluation since the last ratio study was completed.

c. If improvements are made to the property after purchase but before the assessment date. In such cases, the department shall use the prior year assessment.

d. If the property was subdivided or changed between the assessment and the sale. In such cases, the department shall not use the sale.

F. Editing of Sales Data

1. The editing of sales data shall be accomplished after all of the assessments for a town or city have been collected.

2. It shall be the responsibility of the equalization supervisor or his/her assistant or both to edit any sales that are indicated not to be “arms length” transactions or reliable sales.

3. Only one person shall edit the sales for any one town or city.

4. The following sales shall be considered as either *not* being an “arms length” transaction or *not* a reliable sale:

a. Property cannot be clearly identified on assessors tax rolls;

b. Sale price cannot be determined from revenue stamps affixed or through the verification process;

c. Recited consideration is less than \$ 100;

d. Total consideration is not clear;

e. Sale to same family name, known relatives, or when consideration recites “for love and affection”;

f. Sale between known affiliated companies or corporations;

g. Sale by sheriff, court officials, or other forced sale;

h. Sale of property located in more than one town;

i. Sale by or to mortgage or financial companies;

- j. Sale of cemetery lots or other non-taxable lots;
- l. Sale of an unspecified or undivided interest in the property;
- m. Sale of a specified divided interest in the property;
- n. Sale of mineral or timber rights;
- o. Sale involving a trade or exchange of property;
- p. Sale to or by the federal government;
- q. Sale to or by the state government;
- r. Sale to or by the local governments;
- s. Sale to or by a utility;
- t. Sale to or by benevolent, fraternal, or educational organization;
- u. *Sale to or by administrators, executors, guardians, receivers, or trustees;*
- v. Sale in which the seller retains possession for over one year;
- w. Sale in which leases are involved;
- x. Sales in which purpose of transfer was not for warranty or *quitclaim* conveyance;
- y. Sales transactions declared not market value due to misrepresentation or grantee bias;
- z. *Sales in which it appears as if the assessments have been adjusted due to the property's sale price and a proper assessment can not be ascertained;*
- aa. *Sales in which the assessment is a current use assessment;*
- bb. Sales transactions which involve time sharing units;
- cc. Sale to clear title;
- dd. Sale of an easement or right of way;
- ee. Sales which involve boundary adjustments between grantor and grantee; and
- ff. Sales in which non-taxable property is included in the sale price and an appropriate amount of this property cannot be determined.@

We have little quarrel with these guidelines. In a few instances greater clarity in the meaning or intent would be helpful. There are also some situations not covered by the guidelines. However, the guidelines do identify parcels that should generally not be included in a ratio study and do make clear that the assessment to be used should be the one in place at the time the sale occurred. The crux of our quarrel is with the failure to follow and consistently administer these guidelines.

3. Audit Methodology

This section describes the procedures we used in our audit. To a large extent these procedures involved determining, as best as possible based on the information available, the correct disposition of each sale in accordance with DRA and professional guidelines. We did not attempt to gather supplemental information, question the veracity of reported data, or make judgments not reasonably supported by the available data.

3.1 Study Sample

We audited the data relied upon by the DRA for its 1997 and 1998 equalization studies in a cross-section of 34 municipalities. The sample was selected by sorting municipalities by county, ranking them by 1998 population within each county, and selecting every eighth one, which yielded 29 municipalities. Four additional municipalities (Antrim, Keene, Moultonborough, and Salem) were audited to pursue issues that had been brought to our attention. (We found sales processing deficiencies in these four municipalities to be generally no worse or better than in the other 29 municipalities.)

We carefully examined and compared the data in source records, DRA ratio study reports, and assessment rolls. Data used for the analysis included electronic sales files maintained by RDC; the PA-34 forms completed by many of the grantees; the municipal assessment sheets returned to DRA; the DRA's compilation of used and unused sales; the letter from DRA to the towns showing their equalization ratio; the MS-1 forms; and assessment rolls and any other information readily available in the assessor's office.

A field auditor visited each town. There, he reviewed the above documents and, based on the information available, determined the proper disposition of each sale based on DRA guidelines and professional practice. This often meant recoding a sale from usable to unusable or vice versa. In addition, the auditor kept separate worksheets for sales that met one or more of conditions identified in section 3.2. In all, we found that there were 260 miscoded sales for each 1000 sales used in the 1997 study and 231 miscoded sales for each 1,000 sales used in the 1998 study. Many of these were erroneously included, and many others were erroneously excluded. (Our full report details the impact of these errors alone on the DRA's reported ratio study statistics.)

3.2 Sales Given Special Attention

We compiled separate worksheets for several problem areas in DRA's studies. These areas are discussed below (some problematic sales fell into more than one category).

1. Sale price different from that reported by Real Data Corporation. RDC derives sales prices from deeds, usually based on the amount of real estate transfer taxes paid. Separately, buyers may submit a PA-34 form with information about the property transfer. Occasionally, the sales price reported by the buyer will be different than that determined by RDC. With rare exception, DRA will use the PA-34 price. Town assessors may also indicate revisions to sales prices (especially true in Derry). DRA will generally accept and use sales prices provided by the assessor, but there were

a significant number of instances in which DRA did not. In most of these cases, the true amount of consideration is indeterminate.

2. Parcel checked as unusable on section 4 of the PA-34 form. Buyers completing the PA- 34 are asked whether any of a series of conditions applies to the sale. If the box in section 4 (question 1 of the new PA-34) is checked, DRA considers the sale unusable, although some such sales are still used in the study (we deleted them). The buyer is not required to indicate which of the various terms applies to the sale, but frequently does.
3. Changes in assessed value. Assessors are asked to fill in the assessed values for both the current and previous year. We kept track of sales where the two values differed, aside from new construction and where a parcel was split or subdivided from a larger parcel (in which case there was no prior assessed value). Unless there has been reappraisal activity, such cases can signal sales chasing. The DRA frequently violated its own policy on such sales, generally accepting them without question.
4. Sales involving new construction or demolition. We defined new construction broadly to include new buildings, improvements to existing property, or the addition of a manufactured home to a parcel. Demolition included the removal of a building, the partial removal of a physical structure, or the movement of a manufactured home from the parcel. DRA had particular problems with these sales and more often than not violated its policy to exclude such sales.
5. Sales of multiple or subdivided parcels. Sometimes a sale involved the transfer of only partial rights in a parcel. Other sales involved several parcels. Also included in this category are lot line adjustments that have been made to correct or amend deeds. The DRA had particular problems with these sales, especially multiple parcel sales (the most frequent type).
6. Current use parcels. New Hampshire has many parcels valued and taxed on their current use value rather than their ad valorem value. Assessors and the DRA were both highly inconsistent in their treatment of such properties in the study.
7. Non-residential parcels. DRA asks assessors to assign one of ten different property type codes to each sale. Most sales involve improved residential or vacant land. Other properties are usually under-represented in the study, despite the fact that they constitute a disproportionate percentage of value. Non-residential properties and their DRA codes are commercial/industrial land and buildings (05); commercial/industrial land only (07); commercial condominiums (11), duplex or multi-family (13); boat slip/boat dock (17); and waterfront (19). Despite DRA instructions, a number of assessors fail to report property type codes.

3.3 Sales Rejected

We found that the DRA frequently used invalid sales in its studies, usually in violation of its own guidelines. We deleted these sales, which fell into one or more of the following categories.

1. Sales checked as invalid in section 4 of the PA-34. According to DRA procedures, these sales should not have been included, but not infrequently they were. This occurred most frequently with trusts, estates, and financial institutions. We removed such sales.
2. Sales where the assessor changed the assessed value after the sale. Since the majority of sales occurring in the study period take place before assessments are set, it is relatively easy for assessors to practice sales chasing if they choose to do so. As might be expected, the effect of these changes is almost invariably a ratio closer to 1.00 and an improved COD. DRA's stated policy is to use the assessment in place at time of sale. However, contrary to its policy, the DRA used the changed assessment in almost every instance. The exception is where there were known improvements to the property following the sale, in which case the assessor has little choice but to reflect the improvements. Following DRA policy, we have used prior year's assessments on sales where values were changed after the sale date. If the prior year's value could not be determined, we removed the sale. In instances of complete revaluations, there is no choice but to use only assessments subsequent to the sales. In effect, it is difficult in the New Hampshire system to conduct an unbiased ratio study in a revaluation year.
3. Sales with current use values. It is extremely difficult to include current use values in a ratio study properly. Current use values vary widely as a percentage of market value (some are as low as 2 to 3 percent). In addition, exposure to penalties for changing use can impact sales prices to various degrees. DRA guidelines and professional practice call for the exclusion of current use values in a ratio study. However, DRA's practice is to include current use sales to the maximum extent possible. Although assessors are asked to provide DRA with ad valorem values for current use properties, many do not (some do not even maintain them) or do so in ways that make it difficult to interpret whether the assessor is providing the current use value, the market value, or some other number. DRA obviously has difficulty in many towns with the information provided, which leads to inconsistent treatment of these sales both among towns and within a town. Consistent with "Mini Course VIII, the Equalization Process - C.O.D", we have excluded all current use sales.
4. Sales of property with new buildings, improvements, or demolitions. DRA generally uses sales involving construction of a new home or other physical change before the sale date (sales with improvements that are still in construction on April 1 or where all construction occurred after April 1 are generally excluded). The assessor will generally know the price of these sales when setting or updating assessments to reflect the new activity. Consistent with "Mini Course VIII," sales with new construction completed before the assessment date have been removed from the analysis. Often there is no way of telling from the municipal assessment sheets whether improvements occurred before or after the date of sale. However, unless it excludes the sale, DRA almost always uses the later (generally higher) assessment, which may reflect improvements not included with the sale or may reflect the sale price itself. The only safe recourse is removal of these sales from the study.

5. Assessed value included rights to other lands. On rare occasions the assessed value may include the assessment of more property and rights than are part of the sale, giving a mismatch between the property assessed and the property sold. When found, we removed these sales.
6. Unusable parcel splits or combinations. Parcel splits lack a prior assessment. The assessor will be familiar with the sale price in setting the assessment. DRA will generally use these sales in conjunction with the latest assessed value. Following stated DRA policy and general practice, we excluded such sales. Also, included in this category are lot line adjustments.

In Derry many assessments in the prior year were for *buildings* only, followed by an assessment in the current year for land and buildings. This phenomenon was found in no other town. Where we found such sales left in the study, we excluded them.

7. Sale by trust, estate, family, educational organization, church, or financial institution. Section 4 of the PA-34 form lists “purchase from or by administrator, executor, guardian, receiver, or trustee” as one of the terms of transfer that makes a sale unusable. Sales involving families, business connections, financial institutions, and educational, charitable, and religious organizations are also to be excluded. This is also in keeping with general ratio study practice. Thus, we have eliminated sales by trusts or estates used by DRA, with the exception of transfers involving realty trusts in the business of buying and selling real estate. Also, all sales between family members (when they can be identified), business connections, schools and universities, charities, churches, and banks and other financial institutions have been similarly removed when found in DRA’s studies.
8. Parcels in more than one town. The sale of a property located in more than one town will have only a partial assessment in each town, thus invalidating the sale for ratio study purposes.
9. Personal property. Transfers that include personal property of any consequence but of unknown value should not be included in a ratio study, as the sale price will not accurately reflect the value of the real estate and cannot be reasonably adjusted to do so. Only in Derry was there a significant number of sales identified with personal property. Other towns may have had similar sales, but the personal property was not identified.
10. Sale included lease buyout. Sales may involve terms and conditions other than the straight transfer of real property, in which case, when found, they have been excluded.
11. Properties resold in the same year. On occasion a property may sell more than once in the same year. These sales tend to involve real estate developers and agents. The DRA’s response varied in its use of resales. Sometimes it used both, other times it used one or the other. Only the second sale, if valid, is included in our analysis.

12. Sale of a partial property interest. Sometimes the sale of a property involves only a partial interest in the property. In keeping with accepted practice, any such sales used by DRA have been excluded.

3.4 Sales Added Back to Study

In addition to including invalid sales, DRA frequently excludes valid ones. In keeping with DRA guidelines and general practice, we have added sales that fall in the following categories back to the study.

1. Land sales that subsequently have improvements added. DRA will generally exclude sales of property that are sold as land (with a land only assessment at the time of sale) and then have improvements added to them. Despite its guidelines, the DRA has a strong reluctance to use prior assessments. The prior assessment reflects the property as it existed at the time of sale. These sales are valid vacant land sales and have been added to the analysis.
2. Multiple parcel sales where the assessed values can be correctly aggregated. Although neither DRA guidelines nor professional standard classify multiple parcel sales as invalid, the DRA seems to have an unwritten policy of excluding them (which is not consistently applied). Multiple parcels sales are generally valid, open-market transfers, and unless they involve an issue of “assemblage” (where the whole is equal to more than the sum of the parts), they should be screened and analyzed like any other sale and the ratio computed by matching the sum of the assessments against the sale price. Multiple parcels sales tend to be particularly common for commercial properties, which are under-represented in the DRA’s studies. Where the necessary information was available, we included these sales.
3. Manufactured housing. It is not clear whether DRA policy is to include or exclude manufactured housing. Instances of both inclusion and exclusion are found, sometimes within the same town. Where these sales meet the requirements of a valid transfer, we have been included them.
4. Parcels with partial exemptions, where the full ad valorem value is known. Often a parcel will have a partial exemption, such as a disability or senior citizen exemption. If the DRA excluded these sales and the full ad valorem value is known, we added them back.
5. Outliers. DRA will generally delete sales characterized by the assessor as an “outlier” or will delete a sale on its own volition with a similar comment. However, other sales with even greater variances between the sale price and assessed value are frequently left in the study. Sales called outliers have been included in the study. Note that since the DRA generally (but not always) relies on the median ratio, outliers will have no more impact on the calculated assessment level than any other ratio.
6. Assessor/DRA reasons do not warrant removal of sale. In these instances the assessor has provided an explicit comment germane to the sale. However, when the comment is not viewed of

sufficient weight to merit or justify exclusion of a sale, it has been included. An example of such a comment might be “on market long time.”

7. Assessor/DRA comment not substantial or general in nature. Sometimes sales are removed from the ratio study with only a passing or general observation that has no validity on the sale. These sales have been included.
8. Error or misinformation by DRA. DRA occasionally cites reasons for not using a sale that seems to be incorrect or not supported by available evidence. If the sale appears to be valid, it has been included.

3.5 Assessed Value Used in Study

As noted earlier, “Mini Course VIII, the Equalization Process - C.O.D” states that the assessment to be used in the ratio study shall be “The assessment on the property which reflects the relevant assessment at the time of sale.” This policy helps ensure that assessments are not changed to approximate sales prices for purposes of the study, thus clearly biasing the study. Despite its policy, with the exception of a small number of land only sales, DRA always uses the latest assessed value. In the case of a valid sale involving no new construction or demolition for which the assessor has changed the value in a non-reappraisal year, we have used the prior year’s assessment. This overcomes the possibility of sales chasing and reflects more correctly the assessment at the point in time the sale occurred. (Difficulties in determining the most appropriate assessed value to be used for the last three months of the sales period, July-September, are discussed in section 4).

Where the assessor has conducted a reappraisal, we have used the new values, most of which were set after the properties sold. In effect, there is no way of knowing whether sold properties are treated differently from unsold properties or of ensuring an unbiased study under the current system in a reassessment year.

4. Study Findings

This section discusses specific problems and deficiencies found in the DRA studies. Section 5 summarizes our conclusions.

4.1 Consistently Inconsistent

There is an amazing degree of inconsistency in the New Hampshire equalization process, both in terms of town responses and in DRA's utilization of the information provided. Responses to the municipal assessment sheets vary widely. We found almost as many different approaches as towns reviewed. Each assessor seems to respond in an individual way, which in part may reflect the absence of any clear procedures and guidelines. Just when one thinks there can't be further variations, all one has to do is field audit the next town. While the field audit conducted has identified huge variation and inconsistency, the conclusion remains that adding more towns to the survey would yield yet further styles and approaches. One must conclude that there can be no consistency in study results. There is not even consistency within a given town on a year-to-year basis or within the same year. It is easy to manipulate the system, if one chooses, and in some ways the process encourages it. There are no apparent checks and balances, editing for consistency, or quality controls.

In the course of the field audit it was discovered that DRA frequently, and sometimes routinely, violates the policies spelled out in "Mini Course VIII, the Equalization Process - C.O.D." Among the areas found where DRA practice mostly frequently deviates from policy are the inclusion of many fiduciary sales, the inclusion of current use parcels, the inclusion of properties with improvements after sale, the inclusion of properties subdivided or changed between assessment and date of sale, and the use of an assessed value made subsequent to the time of sale. For example, the DRA is highly inconsistent in its treatment of sales of land only parcels with new construction and a new assessment after the sale. In some cases DRA used the land sales and other times excluded them.

4.2 Information Supplied by RDC

The DRA equalization studies are wholly dependent on the source information supplied to them by RDC. In the course of conducting the field audit, six areas of concern were identified. First, there is a significant number of sales for which a PA-34 is filed that are not identified by RDC and thus are not included on municipal worksheets provided by DRA. We assume that if a PA-34 exists, that a sale in fact occurred, despite it not being present on the municipal worksheets. Since a PA-34 is not filed on some one-third of sales (40% in our study), one can surmise that there are sales that are not identified at all.

Second, RDC does not collect sale price information on a number of parcels, many of which might be usable in the equalization study. For whatever reason, these parcels are then coded MPC (multiple parcel conveyance). In most instances the label "MPC" does not connote a multiple parcel sale, but simply that RDC could not determine a sale price. In several instances, assessors provided sales prices where RDC did not.

Third and somewhat related, the number of parcels involved in a sale reported by RDC is often wrong (and thus misleading). Frequently, more than one parcel will be indicated, but the assessor will indicate by a single parcel identification number and the assessed value that only a single parcel is involved in the transaction. The assessor in Farmington routinely corrected parcel counts on the municipal worksheets.

In most cases, DRA seems to ignore the number of parcels shown on the municipal worksheets, unless it is looking for an excuse to exclude a parcel out by calling it a multiple parcel sale (see related discussion below).

Fourth, the sales prices supplied on the PA-34 will sometimes differ from those supplied by RDC. DRA makes the assumption, in almost all cases, that the sale price provided on the PA-34 is preferred to that provided by RDC, indicating a lack of confidence in prices provided by RDC. Some assessors will also supply sales prices that are different from those from RDC, in which case DRA accepts the assessor's sale price.

Fifth, in a number of instances assessors point out that a sale on the municipal worksheets did not occur in their town but in some other town. Thus sales are not always assigned to the proper town.

Sixth, RDC is supposed to flag foreclosure and fiduciary sales. However, a significant number of such sales, particularly fiduciary sales, occur on municipal worksheets. Sometimes they are caught by the assessor or the DRA and sometimes not. Tuftonboro and Amherst, in particular, had very significant numbers of fiduciary sales.

4.3 PA-34 Form

The PA-34 is a key document in determining whether a sale is usable or not. There are many problems with the form. Many sales, including about two in every five we studied, do not have a PA-34 filed. Thus information that might provide insights into the usability of a sale is unknown. This suggests that many parcels are making their way into equalization calculations that should not be included.

Information on the PA-34 is frequently incomplete. Many sections are not filled in or are only partially completed. DRA considers a sale with a PA-34 stating only the names of the parties to the sale to be verified, even though the sale price and other information may be missing. In particular, section 4 indicating the usability of a sale appears often not to be checked when it should be. Assessors frequently point out that a sale involved a divorce, an estate, a family sale, affiliated business, more than one town, etc., even though the buyer did not check section 4 of the PA-34. For example, examination of trust sales in Amherst and Tuftonboro revealed that only a small percentage of grantees checked section 4. In Amherst, section 4 was checked for only six of 38 trust sales and in Tuftonboro, for only four of 29. Further the form is vague. Section 4 does not indicate the reason the box is checked making the information hard to interpret or verify.

4.4 Reliance on Assessor Data and Comments

The DRA is completely reliant on assessor comments. Except in rare instances, assessors do not indicate whether a sale should be included or excluded. In most instances when an assessor makes a comment the parcel is thrown out. Oftentimes the assessor is simply making an observation unrelated to the usability of the sale. Some assessors will make comments on a great many parcels, while others rarely make any. A lot of comments means a lot of sales removed, while few comments mean that most sales stay in. Each assessor seems to make unique comments with no commonality in approach or terminology. For example, one assessor repeatedly used the term “annexation,” which no other assessor used. Given the lack of standardization and specificity in DRA’s instructions, it is probably not surprising that comments vary widely in both quantity and specificity.

As one might also expect, the degree of thoroughness in reviewing and screening sales varies widely. There is little evidence that assessors are doing much additional research and investigation to supply missing information. Key information, including property type codes and previous assessed values, is frequently not provided. In some cases, obvious information like bank sales and family sales are not identified. Some assessors identify types of sales for comment that seemingly are ignored by other assessors. For example, one town identified a great many “abutter” sales and other towns none.

In many cases assessors provide partial information or information that falls in the gray area, so that it is not easy to make a determination about the usability of a parcel. Comments are often quite terse and then must be interpreted. DRA really has no way to know the legitimacy of assessor comments. DRA seemingly never follows up on missing information or the comments made by assessors. Of course, assessors can affect study results both through their comments and by not commenting on sales that should be commented on. DRA seems to take the information presented to them and muddle through it in some way, making many seat of the pants judgment calls and potentially erroneous determinations. In some cases, it was clear that DRA misunderstood or misinterpreted the information from assessors and made erroneous decisions.

4.5 Failure to Provide Assessed Values

One of the most egregious violations of DRA requirements is the failure of some towns to provide previous and/or current year values. An assessor does not have to be dishonest to have a parcel removed from the ratio calculation. All he or she need do is not provide an assessed value, and DRA will exclude the sale.

A number of towns did not provide previous year assessed values, thus making it impossible for DRA to monitor value changes or substitute previous year values. Amherst and Errol in 1998 did not provide any 1997 assessed values. Keene in 1997 did not provide any 1996 assessed values (its 1997 assessment ratio is reported to be 1.01). Antrim in 1997 did not provide 1997 assessed values.

In both equalization years, Derry did not provide *either* current or previous year assessed values on a large percentage of sales. Of 846 parcels on the 1998 municipal assessment sheet, the town did not provide assessed values on 262 sales (31 %). In the 1997 study the town withheld assessment on 271 sales (34 %). While some of these sales were clearly not usable (related individuals, business connections, sale after

foreclosure, new construction), many of them did not contain enough information to make a judgment and, in fact, may have been perfectly usable. In any case, with no assessed value, DRA had no choice but to exclude the sales.

In none of these cases did the DRA appear to object or take any action. The effect is that these towns controlled the outcome of the study with DRA largely rubber-stamping the results.

4.6 Sales Chasing

The taxable status date is April 1, midway in the October 1 to September 30 time frame of the sales used in the equalization study. However, the assessment roll is first used for the tax levy in the following October/November period. In effect, this means that an assessment roll can be completed anytime between April 1 and the tax rate setting date. Completion of the assessment roll obviously occurs at different times in the various towns, and may vary within a town on a year-to-year basis. The first significant date for assessment roll totals occurs with the filing of the MS-1 form in September. But if a municipality files an amended MS-1 form, assessments can literally change until the tax rate is set.

From the information available to DRA and the field auditors there is no way to know when the process of reviewing and changing assessments stopped and the assessment roll became final. When assessment changes are occurring this creates great difficulty in determining the correct assessed value to use with a sale, particularly in the last three months (July-September) of the sales period. For sales up until July or August it seems evident that the best assessment to use for a usable sale is the prior year's assessment. Beginning with July sales it is difficult to determine whether it is better to use assessed value from the prior or current year. The correct determination will vary by municipality. In some instances it is apparent when assessors have finished the assessment roll, as assessed value changes are no longer in close proximity to sales prices. In other cases it appears that assessed value changes are being made right up until the end of the sales period in September.

In any case, under the current equalization study system assessors will be aware of the majority of sales in the study period when determining assessments. This gives them the ability, should they choose to use it, to control their equalization ratio each year. Further, as discussed previously, although the DRA requires assessors to report previous as well as current year values, many do not. Equally important, contrary to its own guidelines, with the sole exception of improvements following a sale, DRA always uses the most recent sale. An assessor seeking a ratio near 100 or a low COD is encouraged by the process to engage in sales chasing.

None of the towns we audited practiced a policy of systematically setting values to equal sales prices. However, in many cases assessments tracked sales much more closely at the beginning of the study period than toward the end. The city of Keene in 1998 did an "annual city wide adjustment" in which most assessments were changed. In nearly every instance for the first nine months of the sales period the new assessments moved closer to the sale price. There was a very strong correlation between the sales prices and the assessed values through the end of July. For the last three months of the sale period, assessments

just as often moved further from sales prices rather than closer. The median ratio dropped significantly for the last three months in comparison to the median ratio for the year as a whole.

If the DRA enforced its guideline of requiring assessors to report both current and previous year values and followed its own guideline of using previous year value (in the absence of a revaluation or physical change after sale), the problem of sale chasing could be considerably reduced. But the DRA ignores its guidelines.

4.7 Revaluation Activity

The New Hampshire system makes it extremely difficult to conduct a proper ratio study in reassessment years. This is because when all properties are reappraised, the DRA has no way of determining whether sold and unsold properties were treated equally. (There are various solution to this problem discussed in the assessment literature and practiced in other states, but the DRA uses none of them.)

In our study sample, reassessment activity occurred in Amherst (1998), Bethlehem (1998), Eaton (1997), Farmington (1997), and Groton (1997). The Eaton and Farmington reassessments were done by DRA, and DRA reports a median of 1.00 for each. Keene in 1997 and 1998 did “annual citywide adjustments.” Most sold parcels had an assessment change. Derry appears to make changes about 25 percent of assessments each year. It is not known how the parcels are selected or what role sales play, but many more sales in the first three-fourths of the sales period had assessment changes than in the last fourth of the sales period.

Where a revaluation occurs, DRA has no choice but to use the new assessments, regardless of whether they are based on sales prices. It lacks any mechanism for monitoring equal treatment of sold and unsold parcels or making required adjustments. The result is that the assessor largely controls the equalization ratio process in reassessment years.

4.8 Old Values, High Ratios

There seems to be little relationship between reassessment year and assessment performance measures (median, COD, or price-related differential), based on either the DRA’s own study or our recalculated ratios after correction only of data errors. In fact, it is common to find equalization study ratios of 100 or higher with no revaluation occurring for a significant number of years. Below the towns in our study are arrayed in descending order based on the latest reassessment date:

	DRA Data				Recalculated Data	
	Reassessment Year	Median Ratio	COD	PRD	Median Ratio	COD
Amherst	98	.98	6.08	1.01	.987	7.0
Bethlehem	98	.99	12.78	1.03	1.00	20.4
Eaton	97	.88*	26.45	1.10	.89	23.6

Farmington	97	.94	12.32	1.03	.98	23.9
Groton	97	1.05	22.85	1.12	1.02	29.0
Errol	96	1.07	22.11	1.02	1.06	23.2
Moultonborough	96	.91	17.45	1.10		
Derry**	95	.90	10.56	1.01	.89	14.0
Epsom	94	.99	17.52	1.08	.99	23.0
Newbury	94	.95	18.49	1.05	.95	21.9
Tuftonboro	94	.95	16.50	1.04	.94	18.8
Antrim	93	.97	15.07	1.05	.97	21.7
Acworth	92	1.10	19.62	1.09	1.06	54.7
East Kingston	92	.76*	12.76	.97	.76	23.2
Keene**	92	.99	7.83	1.02	.97	11.7
Plainfield	92	.95	24.14	1.11	.90	15.6
Walpole	92	.93	16.95	1.08	.94	22.2
Gorham	91	1.17	29.57	1.03	1.25	45.6
Manchester	91	1.00*	14.72	1.04		
Pittsburg	91	1.10	26.03	1.10	1.21	31.3
Alexandria	90	.98*	21.55	1.05	1.00	16.1
Roxbury	90	1.30*	10.10	1.02	1.30	10.1
Tilton	90	1.03	13.79	1.06	1.04	14.6
Brookline	89	.85	13.23	1.04	.85	15.9
Hanover	89	.90	12.26	1.01	.89	21.1
Sandown	89	1.12	10.34	1.03	1.13	11.4
Pembroke	88	.95	9.11	1.01		
Harrisville	87	.95	16.21	1.06	.98	25.0
Plaistow	87	.91	11.44	1.00	.91	17.5
Monroe	86	.80*	17.48	.98	.82	16.0
Lyndeborough	84	.65	16.13	1.00	.65	20.5
Salem	80	.41	18.43	1.10	.41	20.9
Chester	79	.42	19.56	1.00	.44	14.5

* DRA did not use the median ratio. For Eaton the aggregate ratio was used, in Alexandria the mean ratio, and in East Kingston, Manchester, Roxbury, and Monroe none of the calculated ratios were used.

** Derry updates 25 % of the assessments each year. Keene does an annual indexing that closely tracks the sales prices.

Note that the highest median ratios are for Roxbury, Gorham, Sundown, Acworth, and Pittsburg. None of these towns have reassessed since 1992. The only correlation found is in the three towns that did not reassess since 1985 is that they have the lowest medians, although their CODs are quite typical. Pembroke and Roxbury, which did not reassess since 1990, have among the best CODs. The worst CODs are

widely scattered: Gorham (1991), Pittsburg (1991), Alexandria (1990), Groton (1997), and Errol (1996). The failure of ratio study statistics to track reappraisal activity indicates that (a) reassessment in New Hampshire are ineffective and/or (b) DRA's data and studies are flawed.

4.9 Small Town/Big Town

A difference appears to exist in the approach to the study and type of comments provided to DRA by the assessors in small towns versus big towns. Assessors in small towns will point out a lot of specific information about sales. In the bigger towns the information is more directed at building permit activity and new construction. For example, assessors in small towns frequently identify family and divorce sales. In larger towns comments such as these will be fairly sparse. This suggests that a lot of non-usable sales may be slipping through the cracks in the larger towns. In fairness to these assessors, they simply will have no way of knowing everyone and what family members are selling to each other or what parcels are involved in divorce settlements, and so forth.

More importantly, assessors in large towns seem more inclined to withhold information from the DRA. The assessors in Amherst, Derry and Keene, for example, failed to report values for many parcels. Of course, it is more difficult for the DRA to monitor submissions and make corrections for missing or unclear data in large towns with many sales than in small ones. Thus it appears that the bigger towns may be better positioned to control their equalization ratios and limit their equalized valuations to the detriment of the smaller towns under the statewide property tax.

4.10 Major Sales Screening Deficiencies

This section discusses a number of important areas in which sales screening by the DRA is especially lax and inconsistent.

4.10.1 Improvements after Sale

Properties are often purchased and improvements made after the sale but before the assessment date. Many times the sale is for vacant land on which a house or other structure is built. In any case, the new improvement leads to the assessor making a new assessment with knowledge of the sale price. According to DRA guidelines, the previous assessment should be used and matched against the sale price, both of which reflect the status of the property when sale. If the property sold as vacant land, the DRA will sometimes follow its guidelines and use the prior assessment. In fact, this is the *only* time that the DRA will use the assessment in place at time of sale. Often DRA will reject the sale rather than use the existing value at time of sale. Its practice in the treatment of vacant land sales with subsequent improvements varies both among and within towns. In Moultonborough in 1998 the assessor asked to have added back into the equalization study a number of land only sales with subsequent new construction. DRA complied with the assessor's request and added the sales using the 1997 assessed values.

If the property was improved at the time of sale, DRA may reject the sale or, if the new assessment is closer to the sale price than the old assessment, it may use the new assessment despite the fact the property sold does not match the property reassessed.

4.10.2 Subdivisions and Improvements Before Sale

There are many sales of subdivided lots and of improved properties following the completion of new construction. Again, the assessor will reassess these properties with knowledge of the price paid. DRA will generally use these sales in its ratio study, even though the sales price was known to the assessor when making the assessment and despite DRA policy in “Mini Course VIII, the Equalization Process - C.O.D” that states “if the property was subdivided or changed between the assessment and the sale, the department shall not use the sale.” Note that for newly subdivided lots an assessment did not even exist in the previous year. We have removed sales of subdivided lots and new construction before the sale date.

4.10.3 Current Use Parcels

There is perhaps more confusion and inconsistency in DRA’s studies with the treatment of current use parcels than any other type of property. Assessors are asked to identify and provide the ad valorem value of current use parcels. In practice assessors do everything. Some supply current use assessments, some supply ad valorem assessments, and some provide a number that could be either. In some cases assessors do not even maintain ad valorem assessments for current use properties. In still other cases assessors will provide complete information on both ad valorem and current use assessments. In many cases, assessors will do some combination of the above responses.

“Mini Course VIII, the Equalization Process - C.O.D” states that “sales in which the assessment is a current use assessment” shall not be used. Nevertheless, for whatever reason, DRA seems to have a strong desire to include current use parcels. If possible, it will use the selling price with an ad valorem assessment, unless the current use assessment is closer to the sale price, in which case it will be used. If no ad valorem assessment is provided, the current use assessment may be used. We found instances where the DRA used as the numerator in the ratio ad valorem assessments, current use assessments, ad valorem minus current use assessments, ad valorem plus current use assessments, and partial assessments.

There is also a problem of determining the proper price to use in a current use sale. Penalties paid at time of sale can clearly influence the price. However, it is generally not known whether prices reported by RDC include such penalties. In only the towns of Chester and Epsom did the assessor identify current use penalty payments (the two towns appear to have the same assessor).

In 1997 the Chester assessor identified eight sales with penalty payments. The penalty payments ranged from -8.39% to -9.91% of the sale price reported by RDC. In each case the assessor made a reduction from the reported sale price to reflect the impact of the penalty. DRA accepted the reduced sale price in seven instances, but not in one. In 1998 the assessor identified nine sales with penalty payments. The assessor reduced the sale price by 10.0 % in three cases, increased the sale price by 10% in five cases, and in one case increased the sale price by 5 %. DRA, unlike 1997, ignored the assessor’s changes and used RDC-reported prices.

The assessor in Epsom in 1997 did exactly the same as the assessor in Chester. All sales prices were adjusted by 10% for the current use penalty. However, unlike in Chester, DRA did not accept the assessor's revised sales prices, but instead used RDC-reported prices.

In 1998 the Epsom assessor indicated current use penalties, but did not show clearly recalculated sales prices, although generally they could be ascertained. (In one case the assessor made the adjustment to the assessed value and not to the sale price). Again DRA was inconsistent with the treatment of similar sales in Chester. Whereas in Chester it used DRA-reported prices in 1998, in Epsom it rejected the current use sales with the comment "did CU price affect penalty??"

The result is a very mixed picture among towns. In some a large number of current use sales are included in the ratio determination. In other cases none or only a very limited number are used. Current use properties are really external to the normal assessment process. This is recognized by DRA in its calculation of the Total Equalized Valuation where a specific adjustment is made in connection with current use properties. DRA policy, but not practice, makes sense. Sales with current use assessments should not be used in the ratio study (we have removed them).

4.10.4 Multiple Parcel Sales

Despite the fact that they often represent good sales, DRA policy seems to be to reject all multiple parcels sales, although there is great inconsistency in practice. It is common to find that DRA has rejected a significant number of sales involving multiple parcels, while others make it into the study. In Farmington, DRA accepted nearly all multiple parcel sales in 1997 but rejected all of them in 1998.

Contrary to most other municipalities, DRA's policy on multiple parcel sales in Manchester and Moultonborough appears to be to include them. In 1998 in Manchester, for example, DRA used 21 of 31 multiple parcel sales that appeared to be good arms-length sales with no distinguishing difference between them, although the ones not used in some instances had wider assessment-sales ratios. Similarly, in 1998 in Moultonborough DRA used 18 multiple parcel sales and only rejected one sale on the basis of its being a multiple parcel transfer.

In general, assessors respond very differently to multiple parcel sales. One assessor provided full information, including separately setting forth the assessed value of each of the parcels involved. At the other extreme some assessors simply leave everything blank when they encounter multiple parcel sales. More commonly assessors supply information on the more straightforward cases, but provide no or only partial information on the more complex ones. Where the submitted information is complete and the transaction is an otherwise valid, arms-length transfer, it seems appropriate to include multiple parcel sales in the sales ratio analysis (we have done so).

4.10.5 Trust Sales

Sales by or to trusts are treated very differently by DRA. Only a very small percentage is initially picked up by RDC on the municipal worksheets. When such sales are identified, they are labeled “fiduciary” and not used. Another small percentage of grantees will check section 4 of the PA-34 asking whether the sale is a “purchase from or by administrator, executor, guardian, receiver, or trustee,” in which case the sale is invalid. The task is left to the assessor and DRA to pick out the remaining trust sales. In practice, treatment varies widely. In some municipalities DRA uses nearly all trust sales and in other municipalities most trust sales are excluded.

Trust sales were unusually frequent in Amherst and Tuftonboro. Neither town made any effort to identify the trust sales, thus leaving the task to DRA. In Amherst, there were 53 trust sales, 23 in 1997 and 30 in 1998. PA-34 forms were filed on 38 of the 53 sales. In only six of the 38 was the section 4 box checked indicating that a trust was involved. What is most alarming, though, is that of the 53 sales, DRA used 40 or 75 % (including 2 for which section 4 was checked). Those excluded were generally thrown out for reasons other than the trust being a party to the sale.

The findings in Tuftonboro are not dissimilar to those in Amherst. For the two-year period there were 54 trust sales, only two of which were identified by RDC. Of the remaining 52, PA-34 forms were filed for 29 and on only three of these was section 4 checked. DRA used 37 (71%) of the 52 sales. Those excluded were generally identified as multiple parcel or family sales. Only one of the sales was specifically not used because it was a trust sale.

Thus, DRA appears (again) to violate accepted practice and its own policy systematically (we followed accepted practice and DRA policy and excluded trust sales). In addition, the reliability of the PA-34 to provide accurate information must be questioned.

4.10.6 Manufactured Homes

No consistent treatment exists for sales involving manufactured homes. Sometimes these sales are included in the ratio studies and sometimes they are excluded. Inconsistent treatment occurs even within the same town.

4.10.7 Outliers

On a somewhat random basis, DRA rejects sales for the sole reason as being “outliers.” There seems to be no consistency to identifying sales as outliers. Sales that have wider variations in ratio than those tossed out are included. If an assessor identifies a sale as an outlier, DRA will reject the sale. But frequently without an assessor comment, DRA will throw out a sale as an outlier or state that it is a questionable sale. There is also great variation among towns. In some towns DRA will identify several parcels as “outliers” and in others, few or none, despite their ratios being in the same range.

4.10.8 Over-representation of Subdivision

Occasionally DRA will reject sales in towns on the basis of “over-representation.” In towns with a great deal of new home construction, there will often be a few developers that are building many homes in a given year. The names of these developers will appear over and over. Logically, these sales should not be included in the study, since they all involve new construction and the sales prices are generally known when assessments are determined. Nevertheless, DRA routinely uses these sales, matching the newly determined assessed value against the sale price. Sometimes it will delete some such sales on grounds of “over-representation.”

In 1998 in Plaistow, there were 20 sales by the L.J. DiPalma Company, 16 on Partridge Lane and 4 on Windsor Court. Five of the sales were not used because of partial construction as of April 1, the taxable status date, and another two were deleted because they were land only sales (see 4.10.2). This left 13 sales of a similar nature with a new home constructed, a sale, and a new assessment made. The ratios for these 13 sales were 0.56, 0.81, 0.82, 0.83, 0.86, 0.87, 0.88, 0.88, 0.90, 0.91, 0.91, 0.92, and 0.95. If sales are to be dropped, which ones? The DRA dropped the four lowest ratios (0.56, 0.81, 0.82, and 0.83) and kept the nine highest. The real issue may not be over-representation, but dropping sales with low ratios to boost the resulting assessment ratio.

4.10.9 Assessor Requests for Additional Exclusions

In 1997 the town of Bethlehem and in 1998 the town of Hanover asked that changes be made in the sales used subsequent to filing their completed municipal assessment sheets. DRA complied.

In Bethlehem’s case, an equalization ratio of 1.38 had been made based on 68 sales. The assessor had provided DRA extensive parcel-by-parcel comments on many sales. The assessor then asked that 14 additional sales be removed on which no comments had been initially provided. DRA obliged. Only one of the sales had a ratio of less than 1.00 and the effect of the removals was a decrease in the equalization ratio from 1.38 to 1.33, more in tune with the prior year’s ratio. Some of the reasons given for invalidating these 14 sales appear reasonable and should have been forthcoming, if true, in the first instance. Other reasons were nebulous and did not warrant removal of the sale.

In the case of Hanover, the assessor requested that an additional seven parcels be excluded and two parcels be added. DRA obliged. The final equalization ratio for Hanover was 0.90. The ratios for the seven parcels removed were 0.68, 0.68, 0.76, 0.77, 0.78, 0.81, and 1.42. The ratios for the parcels added were 0.88 and 1.04. Both had section 4 of the PA-34 checked stating they were not usable sales (one was a trustee sale). The assessor may not have known about the PA-34 declaration, but DRA surely did.

Of the seven sales excluded, three were land only sales with land only assessments, but with subsequent construction. DRA in the first instance correctly and properly used these sales, matching the land only assessment against the land only sale. Nevertheless, on the assessor’s request the sales were removed. Three of the other sales involved multiple parcel sales that appeared to be valid, usable sales with the assessed values aggregated by the assessor. The last sale was found by the assessor to be a parcel in

current use. If so, it should have been removed in the first instance (although DRA practice is generally to use such sales).

Because of the significant number of sales in Hanover, these changes did not have a material affect on the equalization ratio. Rather than a ratio of 0.90, the resulting ratio would have been 0.88 or 0.89. However, both the Bethlehem and Hanover cases illustrate DRA willingness to accommodate, even when many of the reasons for dropping or adding sales are not meritorious or consistent with DRA policy or usual practice.

5. Conclusions

Our audit of sales screening and processing procedures in a sample of 33 municipalities leads us to conclude that the process is seriously flawed and unreliable. Problems begin with the information going into the study. Not all sales are identified and many are not accurately described. The PA-34 is only filed on some two-thirds of sales (60 percent in our study). The document is not well-designed, is often incomplete, and is not reliable in determining the correct disposition of a sale.

The DRA has no current, written policy on sales screening and processing. The only relevant document is material from “Mini Course VIII, the Equalization Process - C.O.D” (undated; circa 1989). Probably largely as a result, assessors process and screen sales in a variety of ways. Further, there are no codes for designating sales as usable or non-usable for purposes of the study. Assessors are requested to provide comments concerning sales. They approach this assignment in various ways. Some will make many comments, meaning many sales are excluded by the DRA. Others will make few comments, meaning most sales are left in. In addition, some do not provide full information to the DRA. Many do not provide property use codes. Several towns in our sample did not provide current or previous year values, making it impossible for DRA to determine proper ratios.

Most important, DRA proceeds as if it has no policy. In numerous crucial ways it generally disregards the reasonable guidelines set out in “Mini Course VIII, the Equalization Process - C.O.D.” In all, we found that the DRA misclassifies approximately one sale for each one it uses in its studies. Equally, important, it is highly inconsistent in sales screening among towns and even within towns.

We conclude that the process is a shambles. Even if DRA’s statistical methods were reasonable (which they are not), equalization ratios would be highly unreliable because of the numerous data errors and inconsistencies between municipalities. Further, the process is likely to get worse as assessors become aware of the importance of obtaining comparatively high ratios under the statewide property tax. Assessors are aware of most sales to be used in the study when setting assessed value and several in our study set assessments generally close to sales prices for those sales that occurred at the beginning of the period. Ratios for sales occurring toward the end of the period, after assessments were determined, tended to be more dispersed. Although it is DRA’s written policy to use assessments in place at the time of sale, it does not do so (unless there has been new construction after the sale). Thus assessors are implicitly encouraged to change assessments on sale properties and DRA makes no analyses to detect or adjust for the practice.

One can appreciate that any program as important as DRA’s annual equalization study under the new statewide property tax must incorporate sound written guidelines and consistent procedures. The current studies cry for standardization and accepted quality control procedures. If reasonably reliable and consistent results are to be obtained, the system must be overhauled and standardized procedures clarified and implemented.

Appendices

Appendix 1

Processing Deficiencies in the Towns Analyzed

This appendix summarizes sales screening and processing deficiencies in the towns analyzed. Although not intended to be a complete listing, the compilation does indicate the extent and significance of errors and inconsistencies in present practice based on a review of the worksheets, PA-34 forms, and other information available.

As with DRA, the veracity of comments by assessor were not questioned. If an assessor said a particular sale was a family sale, a bankruptcy sale, or whatever, the sale was reviewed on that basis.

1.1 Parcels with No Sale Price Supplied by RDC

Real Data Corporation (RDC) does not supply a sale price on a number of parcels. It labels these as MPC sales (multiple parcel sales). From the data provided, it is not possible to determine whether a sale price could not be determined or whether there was an oversight by RDC. Assessors generally label these sales as “multiple parcel sales” in their comments, but it is likely that usually this is because RDC has called them MPC sales. In many instances they appear to be single parcel sales.

We identified approximately 145 such sales with no reported price in 29 towns. In some of these cases, the assessor provided a price.

1.2 Parcels with PA-34 but Not Identified by RDC

RDC is supposed to collect information on all sales except those with a price of \$4,000 or less and time share condominiums. However, in the course of the audit we found a number of sales for which a PA-34 form had been filed but for which RDC had not supplied verno number. Since many sales do not have a PA-34 form filed, this suggests that there are other sales that are simply never identified. We noted approximately 427 such sales in 30 towns.

1.3 Parcels with Two Sales Prices

Occasionally the sale price reported on the PA-34 will differ from the price reported by RDC. When this occurs, DRA uses the price from the PA-34, although it is not known which is the correct price.

An assessor may also provide a different price. For example, the Derry assessor in 1997 provided revised sales prices for 12 parcels, of which seven contained no explanation. The DRA accepted five of these and rejected two. Again in 1998 the Derry assessor provided revised sales prices on 12 parcels. Eight contained no explanation. DRA accepted all eight. In cases where the assessor provided a reason

for the adjustment, DRA rejected all but one sale (five of five in 1997 and three of four in 1998).

Assessors also provided revised sales prices in Manchester, Moultonborough, Newberry, Pembroke, Sundown, and Tuftonboro. As in Derry, sometimes DRA accepted the price and sometimes it did not.

1.4 Assessor Change in Sale Price

DRA generally accepts changes in sales prices made by assessors. Sometimes these changes are explained and sometimes they are not. Sales prices were changed without explanation in the following towns.

Amherst 1998. Three sales.

Derry 1997. Ten sales.

Derry 1998. Eight sales.

Manchester 1997. One sale. DRA did not make the change.

Manchester 1998. Thirteen sales (DRA used five but not the other eight).

Moultonborough 1998. Four sales (three were used by DRA and one was not).

Salem 1997. Two sales.

Salem 1998. Two sales.

1.5 Sales not Assigned to the Correct Town

We noted 59 sales in 16 towns that RDC had assigned to the wrong town. By default, these sales cannot be used in the study.

1.6 Sales with No PA-34

Despite the severe limitation of the PA-34, having one filed is far preferable to having none filed. Approximately 40 percent of the sales in the towns we analyzed had no PA-34 filed. The number of PA-34s filed as a percentage of all sales ranges widely among towns, meaning that some have significantly better information than others. The percentages are shown below in Table A-1. Note that they range from less than 25% to 100%.

Table A-1
PA-34 Sales as a Percentage of All RDC Sales

	1997	1998
Acworth	60.7	46.4
Alexandria	72.7	59.4
Amherst	64.5	73.9
Antrim	53.2	69.1
Bethlehem	28.4	23.4
Brookline	58.6	73.8
Chester	59.3	71.8
Derry	47.8	70.8
East Kingston	45.5	55.6
Eaton	42.9	50.0
Epsom	65.5	75.5
Errol	78.6	53.9
Farmington	65.6	69.2
Gorham	60.3	52.0
Groton	20.7	48.3
Hanover	41.4	39.0
Harrisville	84.0	80.4
Keene	76.5	86.7
Lyndeborough	63.4	71.2
Manchester	70.2	71.6
Monroe	54.5	25.0
Moultonborough	49.9	64.9
Newbury	41.4	43.5
Pembroke	67.0	78.1
Pittsburg	38.7	41.1
Plainfield	27.1	26.5
Plaistow	53.6	55.0
Roxbury	66.0	100.0
Salem	61.1	60.3
Sandown	59.0	70.2
Tilton	52.1	55.5
Tuftonboro	46.9	59.1
Walpole	59.5	83.1

1.7 Parcels Checked Unusable on the PA-34, Yet Still Used

It is the intent of DRA that when a grantee checks the section 4 box on the PA-34 form that the sale will not be used. However, we found 69 sales in 21 different towns that were used in the ratio study despite the fact that section 4 of the PA-34 had been checked. Some of these were obviously invalid (e.g., family and bank sales). In one case, the assessment had been set to equal the sale price.

1.8 Multiple Parcel Sales

Generally DRA seems to go out of its way to make sure that multiple parcels sales are not used in the equalization study. Any parcel cited as being a multiple parcel sale by an assessor is usually removed. Likewise, when assessors do not identify sales as being multiple parcel sales but there seems to be evidence that a sale involved or might have involved multiple parcels, it is rejected. However, in both Manchester and Moultonborough DRA included the large majority of transfers identified as multiple parcel sales (see 4.10.4). In addition, we identified 41 cases in 18 other towns where multiple parcel sales were used.

DRA's treatment of multiple parcel sales in Sandown is particularly interesting. In each of four sales involving two parcels each in 1997, the assessor listed the assessed value of both parcels but did not add them together. In all four cases DRA used the combined selling price but used the assessed value of only one of the two parcels.

1.9 New Construction

Assessors are to make assessments on property as it exists on the taxable status date of April 1 of each year. However, improvements and new construction can obviously take place any time during the year. If construction occurs after the sale date, but before April 1, obviously the sale cannot be used if the current assessments are used in the study (as is DRA's practice). Typically assessors indicate that improvements have occurred, but rarely gave information as to whether this was before or after the date of sale. In some cases reasonable determinations can be made, but not in other cases. DRA seems to ignore the timing issue and uses sales with new construction in most cases. We identified some 50 cases in 17 towns in which DRA used sales with new construction despite the fact that no reasonable determination could be made of whether it occurred before or after the sale date.

Of course, if new construction occurs after the sale date, the sale can only be used if it is matched against the assessment existing at the time of sale. We found 12 instances in nine towns where DRA matched the sale price against an updated assessment that reflected new construction occurring after the sale.

1.10 Sales Involving Trusts, Estates, Banks, Etc.

Pursuant to section 4 of the PA-34 “purchase from or by administrator, executor, guardian, receiver, or trustee” makes a sale invalid. However, DRA used approximately 370 sales of this type in 30 of the 33 towns studied (sales involving realty trusts are excluded). Particularly large percentages occurred in Amherst and Tufonboro.

1.11 Abutter Sales

DRA generally removes sales which assessors identify as abutting property owned by the purchaser, although we noted cases where the DRA kept in sales even though assessors had identified them as abutter sales. Some assessors identify lots of abutter sales, while others identify none.

1.12 Splits and Subdivisions

When a parcel is split and sold, there will be no existing assessment at the time of sale. The assessor must create a new parcel and will make a new assessment with full knowledge of the sale price. Generally such sales are not considered usable for equalization studies and DRA’s own stated policy is to exclude them. However, exclusive of towns with reassessments, we noted some 121 cases in 20 towns where DRA used subdivided lot sales.

1.13 Questionable Reasons for Exclusion

A number of sales are rejected because they do not fit the assessor’s or the DRA’s conception of what the sale price should be. These sales generally seem to be little different than other sales that remain part of the ratio study. The Derry assessor failed to report assessed values on 271 sales in 1998 and 262 sales in 1998. As a result, the sales were rejected. In addition, we identified some 139 additional sales that were removed for unspecific or spurious reasons as follows:

Town	Yr	Reason for Rejection
Alexandria	97	over-assessed
Amherst	97	outlier, over-representation of subdivision
	98	outlier, seems high per town, finished without permit
Antrim	97	questionable
Bethlehem	97	building in poor condition
	98	something odd
Chester	97	over-representation of subdivision
Derry	97	outliers, why???
	98	outlier

Epsom	97	outlier
	98	outlier, not a fair sale, distressed sale, unknowledgeable buyer
Farmington	97	outlier, not typical, no note attached???
	98	outlier
Groton	97	below market, outlier
	98	outlier
Hanover	97	outlier
	98	not representative of market
Keene	97	possible distress??, is this arm's length??, outlier
	98	out of state buyer, outlier, quick sale, uninformed buyer, private sale, sale by owner
Lyndeboro	98	outlier
Manchester	97	outlier, unqualified, assessment under review
	98	outlier, duress, not arms length
Monroe	97	multiple grantors
Moultonbo	97	outlier, private sale, questionable sale??, distressed??
Pembroke	98	outlier
Pittsburg	97	sentimental buy, too fast a sale, long time offered and vacant
Plaistow	97	outlier, over-representation of subdivision
Salem	98	outliers
Sandown	97	questionable sale, outlier
Tuftonboro	97	outlier, questionable sale

1.14 Inconsistent Treatment of Current Use Parcels

Current use parcels present special problems in the DRA's studies. Assessors are asked to provide both current use and ad valorem assessments. Assessors respond in a wide variety of ways. It appears that DRA attempts to include sales of current use parcels whenever possible. (One exception was found where it appears that DRA thought there were too many current use sales in the town and looked for ways to throw some out.)

Table A-2 shows the number of current use sales in each town for each year audited, the number not used by DRA, and the assessed value used by DRA for those included: ad valorem value (AV), current use value (CU), ad valorem plus current use value (AV+CU), ad valorem value minus current use value (AV-CU), a partial assessed value (Partial AV), or an unknown value (?). As can be seen, DRA practice varies widely, both among and within towns. Generally, most current use sales are used. However, in other towns (such as Amherst and Derry) none or few are used.

**Table A-2
DRA Treatment of Current Use Sales**

----- Assessed Value Used by DRA -----

		<u>Total</u>	<u>Not</u>	<u>AV</u>	<u>CU</u>	<u>AV+CU</u>	<u>Partial</u>	
		<u>Sales</u>	<u>Used</u>			<u>AV-CU</u>	<u>AV</u>	<u>?</u>
Acworth	97	6	2	4				
	98	3	2	1				
Alexandria	97	5		5				
	98	6	3	2	1			
Amherst	97	9	6	3				
	98	9	9					
Antrim	97	4	2	2				
	98	6	2	4				
Bethlehem	97	5	4	1				
	98	6	1	5				
Brookline	97	41	15	26				
	98	26	14	12				
Chester	97	11	4	2				5
	98	23	0	23				
Derry	97	3	3					
	98	13	13					
East Kingston	97	8	5		3			
	98	5	3	2				
Eaton	97	5	2	3				
	98	3	3					
Epsom	97	13	3	10				
	98	8	6	2				
Errol	97	0						
	98	2	2					
Farmington	97	5	1	4				
	98	2	1	1				

Table A-2 (Continued)
DRA Treatment of Current Use Sales

----- Assessed Value Used by DRA -----

		<u>Total</u>	<u>Not</u>	----- Assessed Value Used by DRA -----				
		<u>Sales</u>	<u>Used</u>	<u>AV</u>	<u>CU</u>	<u>AV+CU</u>	<u>Partial</u>	<u>?</u>
						<u>AV-CU</u>	<u>AV</u>	
Gorham	97	1	1					
	98	2	2					
Groton	97	4	3	1				
	98	2	1	1				
Hanover	97	11	10		1			
	98	22	21		1			
Harrisville	97	2		1			1	
	98	5	3	2				
Keene	97	2	2					
	98	12	7	5				
Lyndeborough	97	10	4	6				
	98	15	6	8		1*		
Manchester	97	0						
	98	0						
Monroe	97	2	2					
	98	0						
Moultonborough	97	2	2					
	98	0						
Newbury	97	2	1	1				
	98	9	5	4				
Pembroke	97	6	3	3				
	98	7	5	2				
Pittsburg	97	6	5	1				
	98	6	1	5				

Table A-2 (Continued)
DRA Treatment of Current Use Sales

----- Assessed Value Used by DRA -----

		<u>Total Sales</u>	<u>Not Used</u>	----- Assessed Value Used by DRA -----				
				<u>AV</u>	<u>CU</u>	<u>AV+CU AV-CU</u>	<u>Partial AV</u>	<u>?</u>
Plaistow	97	1	1					
	98	1	1					
Plainfield	97	11	3	8				
	98	30	17	13				
Roxbury	97	1	1					
	98	4	4					
Salem	97	3	3					
	98	0						
Sandown	97	15	5	9			1	
	98	29	16	11				2
Tilton	97	2	1			1**		
	98							
Tuftonboro	97	2	1	1				
	98	5	2	3				
Walpole	97	3	1	2				
	98	6	2	1		3**		

*AV+CU **AV-CU

1.15 Resales

DRA appears to have no policy on properties that sell more than once during the study period. They are not identified unless the assessor specifically points them out. DRA treats them inconsistently:

- In Antrim in 1998 it kept the first sale on a property and threw out the second.
- In Moultonborough in 1998 there were a significant number of resales. DRA in every instance did not use either of these sales. Their reason was “resold”.
- In Manchester in 1998 two properties were bought by relocation companies and immediately resold the same day. In both cases, DRA used the first sale to the relocation company and not the subsequent sale by the relocation company.
- In Manchester in 1998 there were three instances where the same parcel sold twice. In one case DRA used the first transfer only, in one case it used neither sale, and in the third case it used both sales.
- In Salem there were five parcels with resales. In each case DRA did not use the first sale. In two cases it used the second sale and in three cases it rejected the second sale. All appeared to be good sales.

1.16 Failure to Provide Assessed Values

DRA asks assessors to provide assessed values for two years. Generally, assessors are compliant, but in some cases they are not. When the assessor does not provide assessed values, DRA does not use the sale and indicates in their comments “no assessed value”. If an assessor would like a sale excluded from the study, it can be done by simply not providing an assessed value.

We found the following instances where assessor did not provide assessed values.

Amherst 1997. Assessed values were generally not provided for all current use parcels.

Amherst 1998. With one exception, no 1997 assessed values were provided, making it impossible for DRA to check for sales chasing. Current year assessed values were not provided for current use parcels and eight other sales. These omissions may have strongly biased the study.

Antrim 1997. With one exception, only 1996 values were filled in. Since there was no reappraisal, the 1997 values were probably the same as the 1996 values.

Bethlehem 1997. Values were not provided on four parcels.

Bethlehem 1998. The assessor provided no assessed values for all nine multiple parcel sales, as well as 10 other sales.

Brookline 1997. One sale had no current year value.

Brookline 1998. One sale was missing a 1998 value, two were missing 1997 values, and two were missing both 1997 and 1998 values.

Chester 1997. Ten sales were missing values (three were multiple parcel sales).

Chester 1998. Nineteen sales were missing values (five were multiple parcel sales).

Derry 1997. Assessed values were not provided for 271 sales (34%). See appendix 3 for more details.

Derry 1998. No assessed values were provided for 262 sales (31%). See appendix 3. In both years, the assessor effectively controlled the outcome of the studies by not providing assessments on selected sales.

East Kingston 1997. Assessed values were missing for seven sales.

East Kingston 1998. Assessed values were missing for four sales.

Eaton 1997. One sale was missing values.

Errol 1998. No 1997 assessed values were provided. It must be assumed that the 1997 assessed values were the same as the 1998 assessed values.

Farmington 1998. Four sales were missing current year values.

Gorham 1997. Two sales lacked values.

Gorham 1998. Three sales lacked values.

Groton 1998. One sale (a multiple parcel sale) was missing values.

Hanover 1998. One sale lacked values.

Lyndeborough 1997. One sale lacked values.

Keene 1997. No assessed values were provided for 1996, which presents a major problem in determining a proper equalization ratio. Two sales also lacked 1997 values. See further discussion in appendix 3.

Keene 1998. Eleven sales (mostly current use parcels) lacked 1997 values. Two also lacked 1998 values.

Manchester 1997. The assessor provided 1997 and 1997 assessed values for all parcels, except that five parcels were missing 1996 values.

Manchester 1998. Unlike most assessors, the Manchester assessor provided assessed values for most of the parcels that had been labeled foreclosure and fiduciary and thus already excluded from the ratio study. No 1997 or 1998 assessed values were provided for four parcels, no 1998 value for one parcel, and no 1997 values for nine parcels.

Monroe 1998. The assessor provided no assessed value for two parcels and no 1997 value for a third. Since DRA used only 12 sales, any missing sales could have had a significant impact.

Moultonborough 1997. Two sales lacked values.

Newbury 1997. Seven sales lacked values from both 1996 and 1997 values and another lacked the 1996 value.

Newbury 1998. One sale was missing values.

Pembroke 1997. No assessed values were supplied for 36 parcels.

Pembroke 1998. No values were provided for 22 parcels.

Roxbury 1997. One parcel lacked values.

Roxbury 1998. Four sales lacked values.

Sandown 1997. No values for one sale.

Salem 1997. One sale was labeled "nsa" (no explanation).

Salem 1998. Two sales were missing 1998 values.

Tilton 1997. Nine sales were missing values.

Tilton 1998. No values for four sales.

Tuftonboro 1997. Ten sales were missing values. One sale had no 1997 value.

Walpole 1998. Four sales were missing values.

1.17 Change in Assessed Value without Explanation

Aside from townwide reassessments, assessors generally provide an explanation when they change an assessed value from the prior year. However, some made changes without providing an explanation. When there is no explanation it is very difficult to determine whether the sale should be used or dropped from the analysis. Instances in which this occurred are as follows:

Alexandria 1997. One case.

Amherst 1998. Thirteen cases. In four of these the increase appeared due to new construction.

Brookline 1998. Five cases.

Derry 1997. Seventy-two cases (three appear to be new homes).

Derry 1998. Thirty-eight cases (six appear to be new homes).

Hanover 1997. Four cases.

Hanover 1998. Thirty-one cases.

Harrisville 1997. Three cases.

Harrisville 1998. Four cases.

Keene 1998. An “annual citywide reassessment” was done. Few sales had comments.

Manchester 1997. Eleven cases.

Manchester 1998. Thirty-six cases.

Newbury 1998. Four cases.

Sandown 1997. One case.

Sandown 1998. Five cases.

1.18 DRA Misinterpretation or Error

In a number of instances it appears that the DRA misconstrued the comments of the assessor or simply erred in the use of information. Instances of where this occurred are cited below.

Amherst 1997. DRA rejected four sales with the comment, “AV is for no road.” However, these were all good land sales and the assessor was simply noting that a road had not yet been built.

Amherst 1998. In a sale of two parcels, DRA matched the assessed value of only one parcel against the combined price.

In a trust sale, the assessor indicated that the building was 85% complete and would be assessed at \$185,100 when completed. DRA used the \$185,100, which was not the current assessed value. Also, the sale should have been deleted as a trust sale.

DRA threw out eight parcels as multiple parcel sales. In no case did the assessor indicate they were multiple parcel sales. In fact, in each case the assessor provided only a single parcel identifier (where a sale involved multiple parcels, the assessor wrote down multiple parcel numbers). DRA apparently based its determination on the column on the worksheet that lists the number of parcels. This column is highly unreliable.

Antrim 1997. The assessor made no comment on two consecutive verno numbers. DRA rejected the first as “family sale or business connection” and used the second, which was a trust sale. There is no evidence of the first being a family sale. DRA should have kept the first sale and rejected the second, rather than the reverse.

Antrim 1998. In four sales of two parcels each, the assessor listed each assessment separately. In one case, DRA correctly combined the two assessments. In the other three cases DRA assigned one of the assessed value to 1997 and the other to 1998. Despite appearing to be good sales, DRA rejected all four.

A property assessed at \$17,400 sold for \$72,000, a wide difference. The assessor made no comment and identified the parcel with a single parcel identification number. DRA rejected the sale as being a multiple parcel sale. There was no evidence of it being a multiple parcel sale.

Brookline 1997. Two adjacent verno numbers sold for \$85,200 and \$85,300. Each had different grantors and grantees. DRA matched the combined assessments for the two parcels against the price of only one (\$85,300).

DRA rejected one sale as being a resale of another sale. The two sales had the same seller but different buyers.

DRA claimed there was “no stated assessed” for a sale. However, the sale was a multiple parcel sale and the assessor provided the assessed value for each parcel.

Brookline 1998. DRA claimed that one sale was a resale of another and did not use the first sale. The first sale was for vacant land and the second for a house. Both sales had separate assessed values in 1997 indicating two distinct parcels. The only thread

between the two sales is Glendale homes, which bought the first property and sold the second. However, Glendale Homes appears over and over in the sales listings, both buying and selling homes.

Chester 1997. DRA rejected a sale citing a new home being built. However, there is no evidence of construction. DRA apparently had gone by the assessor's comment on the previous sale.

The assessor reduced the sale price on eight properties for current use penalty payments. DRA accepted seven of these adjustments but not the other and instead used the price reported by RDC.

Chester 1998. DRA rejected a sale because the price was changed from \$154,00 as reported by RDC to \$153,500 as reported on the PA-34. However, DRA will generally use the PA-34 price even if substantially different from the price reported by RDC.

Derry 1997. DRA rejected a sale as being a family sale. The grantor and grantee's names were different and the assessor provided no information to indicate a family transfer.

DRA rejected a sale claiming it was part of the next verno number. The first was a land sale for \$15,000 and the second was a land and building sale for \$71,000. The two parcels are different and there is no indication that they comprise a single transaction.

Derry 1998. DRA rejected a sale on the basis of a town comment of related parties. In fact, the town made no comment on the sale but did make such a comment on the previous sale.

DRA rejected two sales as multiple parcel sales. In fact, each is a sale of a single condo unit with the same grantor and grantee.

Epsom 1997. In the sale of a manufactured home and land, DRA used the assessment of the land only.

A sale of \$118,000 included two parcels with assessed values of \$123,400 and \$16,800. DRA matched the sale price of the two parcels against the assessed value of the first only, thereby giving a ratio closer to 1.00.

On a sale for \$25,000 with an assessed value of \$60,700, the assessor wrote "do not use". DRA obliged saying "family sale or business connection." These seem to be words devised to justify removal of the sale.

Farmington 1997. The assessor clearly indicated that a sale was an estate sale. However, DRA used the sale.

Farmington 1998. The assessor described a parcel as a single parcel sale and provided information on a change in assessment . DRA rejected the sale as a multiple parcel sale in Milton. The assessor's description appears correct and it is unclear where the DRA information came from.

DRA rejected a sale to Yates Electric Service on the basis of it being a public utility. Yates Electric Service sounds more like a small commercial establishment than a public utility.

Hanover 1997. DRA rejected a sale citing a question of whether the assessed value was \$40,000 or \$48,000. The assessor had very clearly written in an assessed value of \$ 61,200.

Hanover 1998. DRA rejected a sale as being in current use. The assessor provided no information to indicate that the parcel was in current use. However, the previous verno number involved the sale of a parcel in current use.

Harrisville 1997. A sale of \$48,000 involved two parcels in current use. The assessor separately identified the assessed values of the two parcels as \$ 36,000 and \$ 39,800 (combined assessed value of \$ 75,800). DRA used the sale price in conjunction with the assessed value of one of the parcels, but not the other, giving a ratio closer to 1.00.

Keene 1998. DRA did not use two sales claiming that one was a resale of the other. In reality, one was the resale of a different parcel and the other a separate parcel. Both rejected sales appear to be good sales.

Lyndeborough 1998. For whatever reason, on a current use parcel DRA combined the ad valorem and current use values to create the numerator of the sale ratio.

Manchester 1997. On a multiple parcel sale, DRA matched the assessed value for one parcel against the price of both parcels.

Manchester 1998. DRA stated that a sale was an "estate" sale. There was no PA-34 and the assessor made no comment to this effect. However, the assessment-sale ratio for the parcel was 3.12.

DRA rejected a sale as a multiple parcel sale (although it used most multiple parcel sales in Manchester in 1998). The assessor made no comments on the sale and provided a single assessment and single parcel identification number. The assessment-sale ratio was 2.97.

DRA stated that a sale was "not separately assessed" even though the assessor provided assessments for both 1997 and 1998. The basis for DRA's statement is unclear. The sale ratio was 2.26.

DRA rejected a vacant lot sale on the basis of “business connection”. The assessor made no comment on the sale and there is no apparent evidence of a business connection.

DRA rejected a sale on the basis of “sale in lieu of foreclosure”. The assessor made no comment and no PA-34 was filed. The basis for DRA’s claim is not clear.

DRA rejected a sale on the basis of “plottage”. The assessor made no comment on the parcel, but did comment “abutting property sale/plottage” on the next sale. Both parcels did have the same grantee, but the first was commercial and the second a residential sale.

DRA rejected a sale to be a fiduciary sale. It is not clear why. The assessor made no comment. The sales ratio was 3.33.

DRA rejected two sales citing “business connection”. The assessor commented “temp UC 98” on one and made no comment on the other. It is not clear where the “business connection” came from.

DRA rejected a sale with the comment “consolidated lots see sheet notes”. However, there were no sheet notes and no apparent basis for the comment.

DRA rejected two sales as land only sales with land/building assessed values. The assessor only commented “under review” and there is no evidence that they were land only sales. The property codes provided by the assessor indicate that they were land/building sales. Their sales ratios were 0.52 and 0.77.

DRA rejected four sales with the comment “improvements reflected in sale price, not in assessment”. The assessor made no comment on the sales. Without any further input it is not clear from where DRA got its information. The sales ratios were 0.84, 0.66, 0.49, and 0.67.

DRA cited two sales with different grantors and grantees as being multiple parcel sales. Their one common thread is location on the same street.

Moultonborough 1998. DRA rejected a sale as “family or business connection”. There was no PA-34 form, no comment from the assessor, and no indication that this sale involved family or business connections.

Plaistow 1998. DRA rejected a sale as a “relocation company sale”. There was no comment from the assessor and no evidence to support this determination.

The assessor indicated that a sale was a family sale, but DRA used it in the ratio study.

Salem 1997. A sale involved a parcel in more than one town. Nevertheless DRA included it as a usable sale.

DRA rejected two sales as land and building sales. However, both the municipal worksheets and the assessor's coding indicate they are land only sales. Their ratios were .13 and .24.

Salem 1998. DRA rejected a sale with the comment, "improvement between assessment and sale". The assessor made no comment and there was no change in assessed value between 1997 and 1998. There is no information to support DRA. The only apparent problem is the low ratio of .20.

DRA rejected one sale as being a resale of another sale. It was not, but the next verno number was.

DRA rejected a sale by a "relocation company". However, the grantor and grantee names are those of individuals and do not suggest a relocation or other company.

DRA rejected a sale by a *realty* trust as "bought from a trustee". Sales involving realty trusts are very common and DRA routinely uses them.

Sandown 1997. There were four instances of sales of two parcels each in which DRA used the sale price but the assessed value of only one of the parcels. In all four cases this gave a ratio closer to 1.00.

Sandown 1998. RDC reported a sale price of \$21,000 for a transaction involving a mobile home. On the PA-34 the buyer reported a price of \$25,000: \$21,000 for the mobile home and \$4,000 in moving costs. DRA used the sale price of \$25,000, which included moving costs.

There was a land sale of \$48,000 followed by a new home. In 1997 the ad valorem assessed value was \$31,000 and the current use value was \$774. The 1998 assessed value was \$142,669. DRA used an assessed value of \$70,100. There is no clue as to where this figure came from.

Another parcel of vacant land sold for \$38,000 and a new home was built. In 1997 there was no assessment as this parcel was split off from a larger parcel. In 1998 the assessed value was \$165,000 and the current use value \$400. DRA used an assessed value of \$59,400. Again, there is no clue where this figure came from.

Walpole 98. The assessor presented information on three current use sales somewhat differently than assessors in other towns. DRA used the sales and in all three cases determined an assessed value that was neither the ad valorem value nor the current use value, but rather the difference between them (AV - CU).

In a seemingly valid land sale to a drug store chain the assessor commented "sold land only". DRA rejected the sale as involving both land and buildings, perhaps because of the relatively high price.

1.19 Assessor Error or Confusion in Comments

Occasionally assessors get confused and make comments that are inconsistent or erroneous.

Brookline 1998. The assessor claimed that two verno numbers were the same sale of the same parcel. Both did have the same grantor and grantee, but they had very different sales prices: \$151,500 and \$197,000. The assessor only provided the assessed values for the first sale, so DRA used only that sale.

Manchester 1998. Essentially the assessor did not identify many fiduciary sales and provided DRA with assessed values for those identified by RDC.

Salem 1998. The assessor claimed that two sales are for the same parcel, the later being a resale. The parcel identification number, street name, and grantee/grantor all confirm this. However, the assessor lists a 1997 and 1998 assessed value of \$32,300 for the first sales and a 1997 and 1998 assessed value of \$19,000 for the second sale. If they are the same parcel, then their assessed value should be the same.

Sandown 1998. A sale is indicated to be part of another sale, but no evidence could be found to indicate this. One sale did have a grantee who was a grantor in another sale, but the parcels and other parties to the sale were different.

1.20 Assessor Failure to Comment

Assessors can chose to comment freely and often do, while others comment only sparingly. In most cases it is impossible to know when an assessor should have commented. However, when a sale is clearly evident as a bank sale, an estate or trust sale, or a family sale one would expect to see an assessor comment. In a number of instances no assessor comment was made when one should have been offered. The number of instances in which this occurred are listed below, often accompanied by a brief description.

Acworth 1997. One estate, one bank, and three estate sales.

Acworth 1998. One sale.

Alexandria 1997. Two sales.

Alexandria 1998. Three sales.

Amherst 1997. The assessor made very few comments related to anything other than new construction. Approximately 23 sales involving trusts were not commented on. In addition, one estate sale, one family sale, and two sales where the price was switched were not commented on.

Amherst 1998. The assessor did not comment on two trust sales, one sale involving a nonprofit institution, one estate sale, two government sales, and one bank sale.

Antrim 1997. Two sales.

Antrim 1998. Five sales.

Bethlehem 1997. Two sales.

Bethlehem 1998. Four sales.

Brookline 1997. Four sales.

Brookline 1998. Seven sales, including two bank sales.

Brookline 1997 & 1998. In addition to the above, in both years there were many sales with a price significantly greater than the assessment, indicating that new homes had been built. The assessor made no comment, leaving it to the reader to make their own interpretation.

Chester 1997. Four trust sales.

Chester 1998. Five trust sales and one school sale.

Derry 1997. Two sales involving governments, 12 involving trusts, and six involving financial institutions.

Derry 1998. Two family, two estate, one church, eight trust, and eight financial institution sales.

East Kingston 1997. Three sales.

East Kingston 1998. Two sales.

Eaton 1997. Three sales including two church sales.

Epsom 1997. Six sales including one church sale.

Epsom 1998. Three sales.

Errol 1998. Two sales.

Farmington 1997. One bank, two trust, and one estate sale.

Farmington 1998. Seven trust sales.

Gorham 1997. Two sales.

Gorham 1998. Two sales.

Groton 1997. Three sales (including one church sale).

Hanover 1997. Twelve sales including at least one family sales.

Hanover 1998. Nineteen sales.

Harrisville 1997. Two sales.

Harrisville 1998. Three sales.

Keene 1997. Six trust sales and one other sale.

Keene 1998. Nine trust sales.

Lyndeborough 1997. One sale.

Lyndeborough 1998. One sale.

Manchester 1997. Eight family, two government, one inter-corporate, eleven trust, and four financial institution sales.

Manchester 1998. Approximately 148 family, related business, estate, trust, bank, government, nonprofit, and church sales.

Monroe 1997. Three family sales.

Moultonborough 1997. Approximately 30 trust, estate, and family sales and one sale located in more than one town.

Moultonborough 1998. Approximately 34 sales.

Newbury 1997. Three sales.

Newbury 1998. Six sales.

Pembroke 1997. Six trust and one current use sale.

Pembroke 1998. Three trust and one other sale ("nsf").

Pittsburg 1997. Five sales.

Pittsburg 1998. Four sales.

Plainfield 1997. Three sales.

Plainfield 1998. Two sales.

Plaistow 1997. One bank sale.

Plaistow 1998. Two trust sales.

Salem 1997. The assessor offered very few comments. Many sales that normally would have been commented upon were not. Among the more obvious ones were two bank, two government, two family, three estate, four church, 11 trust, and one sale of a property with no separate assessment.

Salem 1998. As in 1997 the assessor provided few comments. Among the more obvious sales with no comments were three education, three family, two bank, one charity, and 18 trust sales.

Sandown 1997. Two government, six bank, one trust, one foreclosure, one family, and one duplicate parcel sale.

Sandown 1998. Nine sales including family and bank sales and property partly in another town.

Tilton 1997. Two sales.

Tilton 1998. One bank sale and three trust sales.

Tuftonboro. 1997 & 1998 The assessor did not comment specifically on any of the many sales where a trust or estate was the grantor or grantee. There were some 18 such sales in 1997 and 31 in 1998.

Walpole 1997. Five sales.

Walpole 1998. Four sales.

Appendix 2

Examples of DRA Inconsistencies in the Same Town

As discussed and illustrated in the body of the report, the DRA was inconsistent, often highly so, in the way it processed and screened sales in the various towns. It was often highly inconsistent *within* towns as well. This appendix illustrates some of those inconsistencies.

Acworth - 1997. There were two sales from the same grantor. Without explanation, DRA used one but not the other.

Alexandria - 1997. There were a number of sales of seemingly similar current use parcels. Without explanation, the DRA used some of these but not others. When it included such sales, sometimes it used the ad valorem assessed value and sometimes the current use value.

Amherst - 1997. There were many subdivision sales. Without explanation, DRA threw out some of these toward the beginning of the sales listing on the basis of “over representation of subdivision in sampling” but included others toward the end of the listing. In addition, the DRA rejected some sales as outliers, yet left in others that were more egregious. For example, it left in a sale with an assessed value of \$29,000 and a sale price of \$310,000 (ratio of .094), but threw out a sale with an assessed value of \$112,300 and sale price of \$40,000 (ratio of 2.81).

Amherst - 1997 & 1998. The DRA generally throws out multiple parcel sales. However, in 1997 it leaned over backward to include these sales in Amherst, including aggregating the assessments provided by the assessor. In 1998 on the other hand, without comment it threw out eight multiple sales that the assessor listed as good single parcel sales. The only basis for the rejections was that the printout from RDC indicated more than one parcel. This information seems to be generally wrong and worthless: frequently multiple parcel sales are shown as single parcels and vice versa.

Antrim - 1997. Some current use parcels were used and some were not. Those with the widest deviations from the selling price were not used. Those with values closer to their sales prices were used.

Brookline – 1997. DRA is very inconsistent in its treatment of land sales followed by new construction and a new assessment. DRA will sometimes use the land sale, matching it against the existing land assessment, and sometimes reject it. In the 1997 study in Brookline, DRA rejected the earlier sales of this type, but then appeared to switch its position and used the later ones.

Brookline – 1998. As in 1997, DRA was inconsistent in its treatment of land only sales followed by new construction. DRA rejected four such sales and used nine. There was no apparent explanation for the inconsistency.

Parcels that sell as vacant land are sometimes improved and resold with a home or other building during the same 12-month study period. DRA is inconsistent in its treatment of these occurrences. Below are three instances of a sale and resale of the same parcel in Brookline before and after construction occurred:

Parcel 1 - sale of land parcel on 12/11/97
Parcel 1 - sale of new home on 2/17/97

Parcel 2 - sale of land parcel on 10/1/97
Parcel 2 - sale of new home on 12/22/97

Parcel 3 - sale of land parcel on 10/1/97
Parcel 3 - sale of new home on 1/30/98

DRA rejected both sales of parcel 1 and used only the new home sales for parcels 2 and 3. In reality, the land sales represent the best sales to use in an unbiased ratio study.

Often DRA will throw out a sale on the slightest pretext. On the other hand, some sales stay in the study despite a lot of questionable circumstances. For one sale, the price stated on the PA-34 differed from that reported by RDC, the assessor changed the assessment from the prior year, there was new construction on the property, and the property was in current use. Despite all this, DRA found the sale usable.

Chester 1997 & 1998. The assessor made adjustments to the sales prices of current use parcels where a current use penalty was imposed. This occurred for eight sales in 1997 and at least nine sales in 1998. In 1997 DRA accepted the assessor's changes for seven of the eight parcels and used the assessor's revised sales prices. In 1998 DRA ignored all of the revised sales prices and used the RDC-reported prices.

Derry 1997 & 1998. A lot of the inconsistency that might have occurred was avoided by the assessor not providing assessed values. The assessor provided no assessed values in 1998 on 262 of the sales (31%) and in 1997 on 271 sales (34%). DRA was inconsistent in its treatment of foreclosure sales and sale price corrections submitted by the assessor (see appendix 3).

East Kingston. DRA was inconsistent in its treatment of current use parcels in 1997 and 1998. In 1997 it used the current use assessments and in 1998 it used ad valorem assessments. On two similar subdivision sales in 1997, DRA used one but not the other.

Eaton 1997. DRA combined two separate sales to make a new sale. The sales have the same grantee, but different grantors. Generally, DRA refrains from using multiple parcel sales, but in this instance appears to have created one where one did not exist.

Epsom 1997 & 1998. The assessor in Epsom in 1997 did exactly the same as the assessor in Chester. All sales prices were adjusted for the current use penalty, which in Epsom was always plus 10 %. DRA however unlike in Chester did not accept the assessor's revised sales prices, but used RDC reported sales prices.

In 1998 in Epsom the assessor indicated the current use parcels with a penalty, but did not show a clearly recalculated sale price, although it could be generally ascertained (in one case the assessor made the adjustment to the assessed value and not the sale price). DRA in this instance again was inconsistent, rejecting the sales with the comment "did CU price affect penalty??".

The issue is further complicated by the adjustments to sales prices made in the two towns. In Chester in 1997 all of the adjustments to sales prices were negative, and in Epsom all the adjustments were positive. In 1998 the Chester adjustments were both positive and negative and in Epsom all adjustments were positive.

Farmington 1997 & 1998. In 1998 DRA carefully identified and rejects all multiple parcel sales. Conversely, in 1997 seven of eight multiple parcel sales were used.

Gorham 1998. Complete confusion seemed to exist in the treatment of manufactured housing. Five sales were included and four similar sales were excluded.

Harrisville 1997. Two sales involved similar parcel splits. DRA used one but not the other.

Keene 1997. DRA used sale #1 below but rejected sale #2 as an outlier. Both sales are for manufactured homes and took place within five days of each other.

	<u>Sales Price</u>	<u>Assessed Value</u>
# 1	\$ 6,500	\$ 12,600
# 2	4,700	9,700

Keene 1997-1998. In 1998 DRA rejected a sale on which the assessor commented "uninformed buyer." In 1997 it used a sale with the same comment.

Lyndeborough 1997. Of three sales involving revocable trusts, two are rejected and one is used.

There were two sales of the same property on the same day. DRA rejected the first sale and used the second, even though the buyer had checked section 4 of the PA-34.

Lyndeborough 1998. A property with an assessed value of \$23,000 sold for \$29,200, a difference of 21%. DRA rejected it as an outlier. A sale with an adjacent verno number and an assessed value of \$8,600 sold for \$18,000, a difference of 52 %. DRA called it a usable sale.

In a case of two current use parcels, the first had an assessed value of \$171,00 and a sale price of \$245,000, a difference of 30%. DRA rejected it. The other parcel had an assessed value of \$95,500 and sold for \$217,000, a difference of 56%. DRA used this one.

Manchester 1997. DRA generally excludes multiple parcel sales. In Manchester the DRA included most multiple parcel sales. However, three seemingly similar multiple parcel sales tagged as OK by the assessor were excluded.

The Pangia Trust was involved in at least three sales transactions. DRA used two of them but excluded the third.

Manchester 1998. DRA included 64 sales involving trusts in the ratio study (in most towns trust sales were excluded). However, DRA specifically excluded as “trusts” four other sales that were the same as those included.

Similar to 1997, the DRA used 21 multiple parcel sales that appeared to be arm’s-length. However, ten others were excluded.

Moultonborough 1997. In 1997 there were eight sets of sales involving the same grantor and grantee. Some were clearly not usable. However, of those that were usable, DRA used some of the sales, but not others, with no apparent differentiation.

Moultonborough 1998. The assessor made changes to four sales prices. DRA used three of them but not the other. DRA used 17 sales that were classified multiple parcel sales but then rejected another sale because it was a “multiple parcel sale”.

Newbury 1997. Two sales had identical comments that the sale included “rights to other lands”. DRA used one but did not use the other.

Pittsburg 1997. There were six current use sales involving the same buyer. DRA used one and did not use five, although they all have similar characteristics.

Pittsburg 1998. Several inconsistencies were found in 1998. Two sales were very similar. One had an assessed value of \$20,100 and a sales price of \$9,200. The other had an assessed value of \$21,300 and a sale price of \$8,000. One was used and the other was not with the reason given that it was an outlier. The assessor made no comment on either sale.

In another case, on one sale the assessor stated “long time offered and vacant” and on another commented “been for sale for years”. DRA rejected the first sale but used the second.

There were three sales of manufactured homes. DRA used two but not the third.

Plainfield 1998. There were two sales of current use property split off from a larger parcel. DRA used one but not the other.

Two sales involved similar irrevocable trust sales by a husband and wife (similar last names). DRA used one but not the other (neither should have been used).

Plaistow 1998. The assessor did a very thorough job of putting parcel identification numbers on all parcels, including multiple parcel sales. DRA rejected two sales as multiple parcel sales that the assessor identified as single parcel sales, presumably because the municipal worksheet shows them as having more than one parcel. However, the worksheets also show seven other sales as having more than one parcel and the DRA used all seven of them.

Salem 1997 DRA rejected two sales on the basis on their being trust sales. The two sales involve realty trusts. A huge number of sales involve realty trusts, particularly in Salem. Usually DRA does not reject realty trust sales. Both sales had low ratios ratios.

DRA rejected 10 sales on the basis of "quitclaim". This is the only instance found of sales being rejected because of a quitclaim deed. In all other cases warranty and quitclaim deeds have been viewed as valid candidates for inclusion in the study. Many of these sales could have been legitimately rejected on grounds other than quitclaim. Two did not have any apparent grounds for removal from the ratio study.

Salem 1998 One column on the municipal worksheets lists the number of parcels. The information is often incorrect. The Salem assessor provided a parcel identification number for nearly all parcels. If more than one parcel was involved in a sale the assessor showed the multiple identification numbers. DRA for whatever reason rejected 63 parcels that had no appearance of being multiple parcel sales on the basis of "multiple parcel sale". Conversely, they did use 19 sales identified with multiple sales on the municipal worksheets (three of which should not have been used).

In addition, DRA rejected as multiple parcel sales six sales that show up on the municipal worksheets as being a single parcel sales. There is no apparent reason to classify and reject them as multiple parcel sales (except low ratios).

Five parcels sold twice during the 1998 equalization sales period. In all cases DRA rejected the first sale. In three cases it rejected the second sale as "resales" and in two cases it used the resale.

Sandown 1997. There were three sales of current use parcels on which a home was built in 1996-97. In each case the assessor imposed a partial assessment in 1997 as the homes were still under construction as of April 1. DRA did not use two of the sales citing, "partial assessment". On the third it used the land assessment. (Given the circumstances none of them should have been used).

In 1997 the assessor appears to have done an aggressive job of following up on building permits. Many properties with minor improvements had assessed value changes. The improvements took place before April 1. There is no way to know whether the improvement occurred before or after sale. One might expect that most would occur after the sale (new sheds, hearth, finished basement, etc.), although some could have been done to spruce up the property to make it more saleable. DRA used these sales, sometimes using 1996 assessed values (7 sales) and sometimes 1997 assessed values (11 sales).

There were three sales of two parcels each with complete assessed values provided by the assessor. DRA used two of the sales but not the third. In the two sales that it used, it wrongly matched the assessment of one of the parcels against the combined price.

DRA used one of two land only sales close to each other in the sales listing. The only apparent difference is that the ratio between the assessment and selling price is larger for the rejected sale. Although DRA cites the presence of buildings, there is no evidence in the RDC information and municipal worksheets to confirm this.

Tilton 1997. The assessor cited three sales as being distress sales without providing further evidence. DRA used two of the sales and did not use one. The circumstances surrounding these sales are as follows:

<u>Sales Price</u>	<u>1996 AV</u>	<u>1997AV</u>	<u>DRA Action</u>
\$ 49,900	\$ 53,600	\$ 53,600	used
48,000	59,000	59,000	not use
70,000	78,000	85,000	used \$ 85,000 AV

Tuftonboro 1997. There were two trust sales in which the grantor in one was the joint grantor in the other. DRA rejected one of the sales where the grantee is a *realty* trust, but used the other where the grantee is a family qualified trust. DRA used other trust sales similar to the one rejected.

Appendix 3 Reporting by Town

Each town had its own style and idiosyncrasies in completing the municipal worksheets for the DRA. This appendix provides a brief description of each town's distinguishing characteristics. It also highlights important departures from DRA requirements or inconsistencies in coding sales.

Acworth

Acworth is a small town with approximately 1,000 parcels. It had no sales involving new construction and no non-residential sales. The town's editing process was complicated by the fact that RDC did not supply a price for many of the sales.

Acworth last reassessed in 1992. The equalization ratio of 1.10 is quite high considering the date of last reassessment.

Alexandria

Alexandria continues to have a high assessment ratio (0.98) despite the fact that it last did a full reassessment in 1990. The town claims to do a partial reassessment each year but, as often seems to be the case, only a small percentage of properties are affected. Excluding sales with new construction, only five of the 59 sales reviewed for the 1998 study and only four of 42 sales reviewed for the 1997 study had an assessment change.

The percent of usable sales dropped from 81.8 % in 1997 to 57.8 % in 1998. The apparent reason for this drop is the large number of multiple parcel sales in 1998. Although most of these appeared to be good, usable arm's-length sales, the DRA excluded all sales that the assessor identified as multiple parcel sales.

The assessor did not comment on some sales that one would have expected comments on such as family and foreclosure sales. In 1998 the assessor provided reasons for some but not all of the assessed value changes.

Although there were 37 usable sales in 1998, DRA did not use the median ratio of .98. Instead it used the mean ratio of 1.03, which was closer to the median ratio of 1.12 used in 1997.

Amherst

Amherst did a complete update of assessments in 1998. Previously, a revaluation was done in 1994. Information from DRA cites partial revaluations in 1997 and 1998. It appears that the 1997 partial revaluation involved only manufactured homes. Issues in Amherst include the treatment of new construction, sales chasing, and failure to report prior year values.

Amherst saw a tremendous amount of new construction in both 1997 and 1998. A significant number of sales were from developers and builders to homeowners. In many of these instances, construction occurred after the April 1 assessment date. Despite DRA guidelines, the assessor included most of these sales, using assessments set near the sales prices. A list of these properties follows to demonstrate how closely assessed values can track sales prices and thus influence, if not determine, the equalization ratio.

<u>Verno</u>	<u>Selling Price</u>	<u>Assessed Value</u>
16	\$ 247300	\$ 249300
20	80000	80800
26	70000	67900
27	230000	232400
28	89000	89200
44	147000	147700
46	228000	221700
61	302800	297400
69	238900	236600
74	89000	89200
77	136500	139800
85	63000	61000
88	255000	223200
92	124000	114200
103	548000	517800
106	200000	212600
138	255600	251600
139	242300	239700
147	205000	199200
150	44000	44000
152	61800	62900
162	62000	62200
167	144800	143700

These sales represent clearly identifiable sales by real estate interests from October 1, 1997 to April 14, 1998. The assessed values very closely match the selling prices. Use of such sales will give a ratio close to 1.00 and a very good COD. Not surprisingly, Amherst's 1998 median ratio is 0.98 and its COD is 6.08 (versus 13.72 the previous year).

With one exception, Amherst did not provide 1997 assessed values to the DRA in its 1998 submission, making it impossible for the DRA to make any comparisons or substitute 1997 figures where appropriate. Despite this failure and the closeness of the assessments and sales prices, the DRA appears to have accepted Amherst's submission without question.

In filling out the municipal assessment sheets, the assessor provided little information beyond construction related data. In 1997 a number of assessments were changed without explanation. Sales involving trusts, governments, family members, banks, non-profit institutions, etc. were rarely flagged and thus were included in the study. Amherst has relatively few current use parcels. In 1997 the assessor provided no values for such sales and thus they were not used. In 1998 the assessor listed assessed value for three such parcels and the DRA obligingly used them (contrary to its guidelines).

Particularly in the 1998 study, the DRA had a hard time decoding much of the information provided. Numbers would be written in, crossed out, and new numbers written in. DRA tended to only pay attention to the new numbers. DRA treated the uncrossed out numbers as 1998 assessments although some appear to be 1997 assessments. In other instances it seems clear that the crossed out number is not a 1997 assessment, but it is not clear what it is.

In short, the assessor was in total control of the information flow to DRA in 1998 and to a lesser degree in 1997. Despite the fact that the 1998 submission seriously violated its standards and could well paint a false picture of assessment uniformity, it was apparently accepted and used with little if any question.

Antrim

Antrim's last reassessment was in 1993. The equalization ratio of 0.97 continues to be quite high considering the date of the reassessment.

For the 1997 equalization study the assessor provided no 1997 assessed values (with one exception) and the DRA carried the 1996 assessed values forward to 1997. For current use parcels the assessor generally provided only ad valorem but not current use assessments in 1998. Many individual parcels needed additional information and clarification for one to make an informed decision on them. Incomplete or missing information was common.

Bethlehem

A contract reassessment was implemented in Bethlehem in 1998. In such cases, there is no choice in the New Hampshire system but to use the 1998 reassessments in the ratio study, even though many of them may have been set based on the sale price. In any case, assessed value do appear to track sales prices closer for sales in the first part of the sale period (for which prices were known) than toward the end of the period (for which prices were unknown).

The assessor did not provide assessed values on the many multiple parcel sales occurring in the town. Many may have been usable, arm's-length sales. The assessor made general or vague comments on a number of other sales (e.g., something odd). The DRA obliged and removed these sales.

In 1997 an equalization ratio of 1.38 was made on 2/19/98. This ratio was revised to 1.33 on 3/24/98. The first ratio was based on 68 sales, the second on 54 sales. Fourteen sales were removed in calculating the revised ratio. Although the DRA cites generally valid reasons for removing these sales, the assessor made no comments on any of them in the original submission. Only one of the 14 sales had a ratio below 1.00, raising questions about the evenness with which all sales were evaluated.

Sales screening efforts may be hampered in Bethlehem by the small percentage of sales for which PA-34 forms are completed. The form was returned for only 28.4% of sales in 1997 and 23.4% in 1998.

Brookline

Brookline has not reassessed since 1989 (reassessment information from DRA indicates that the town is conducting a revaluation with a 2000 completion date). An incredible amount of new homes were built in both 1997 and 1998. Nearly half of all sales were either land for development or new homes. Names of the same builders and realty companies appeared over and over. Many transactions occurred between them. It is not clear if they are all independent companies or in some instances related. With one exception, like DRA, we assumed that they are independent companies. The one exception is Glendale Homes and Glendale Homes Inc. In reality, this probably is not true.

Many land parcels are purchased with a new home sale occurring within the year. In these instances, DRA will generally use the new home sale. The new assessment in these instances will always be made after the sale with full knowledge of the sale price. A better, more objective ratio would be obtained by using the land sale and the land only assessment existing at time of sale.

Only four sales out of 304 sales in 1997 and 1998 were commercial properties. The rest of the sales were for residences or vacant land. Current use parcels comprised an unusually large number of the sales. Of the 140 sales in 1997, 41 were parcels with current use assessments. In 1998, 26 of the 164 sales had current use assessments. DRA used the majority of them.

The assessor's comments focused on the new construction activity. Very few sales indicated that they were family, abutter, government, trust or the other types of sales frequently identified by other assessors. Several parcels should have been commented on because of the circumstances surrounding the sale but were not.

Chester

From the municipal worksheets it appears that Chester and Epsom have the same assessor. The handwriting is identical and the comments made are similar. In both cases when the assessor does not want a parcel used, the notation "do not use" is written and then boxed in.

Chester has not done a reassessment since 1979 and has the second lowest equalization ratio of the towns we audited. In responding to the reassessment questionnaire Chester indicated that some “pickups” would be done in 1999 and indicated that 20 percent of the parcels would be revalued.

The assessor is quite thorough and specific in responding to the municipal work sheets. Sales not wanted in the study are labeled “do not use”. In most instances when the assessor does not want a sale used, no assessed values are provided. This very effectively keeps a sale out of DRA’s study. Assessed values were not provided for 10 sales in 1997 and 19 sales in 1998. In 1997 the assessor calculated the assessment-sale ratio for each sale wanted left in the study next to the price and thus could easily determine the probable ratio that Chester would receive from DRA. The assessor routinely said “do not use” on multiple parcel sales. This generally fits with DRA practice, although some multiple parcels sales may be good arms length sales. There were no commercial sales and only one apartment sale in the two years studied.

The assessor was the only one in our study to recognize current use penalty payments. In 1997 the assessor indicated penalty payments for eight parcels and in 1998 for nine parcels. The assessor made adjustments to the RCD-reported sales prices as follows:

1997		1998	
<u>Sale</u>	<u>% Adjustment</u>	<u>Sale</u>	<u>% Adjustment</u>
1	- 8.01	1	- 10.00
2	- 8.39	2	+ 10.00
3	- 8.85	3	+ 10.00
4	- 9.02	4	- 10.00
5	- 9.91	5	+ 10.00
6	- 9.40	6	+ 5.00
7	- 9.76	7	+ 10.00
8	- 9.28	8	- 10.00
		9	+ 10.00

In 1997 DRA accepted the adjustments to the sales prices made by the assessor with the exception of sale #1 and based its ratio calculations on the adjusted prices. In 1998 DRA ignored the adjustments made by the assessor and used the RDC-reported prices. The assessor’s adjustments appear inconsistent in that some are negative and some are positive.

Derry

The last townwide reassessment was in 1995. However, the Derry assessor is actively changing assessments every year. The assessor states on the municipal worksheet that “reassessment updates are performed yearly for all properties” and on our reassessment questionnaire indicates that 25 percent of all assessments are changed annually. A review of the municipal assessment sheets bears this out, as one gets the sense that about 25 percent of sales have assessment changes. Despite these annual

assessment changes, Derry's equalization ratio from DRA in 1998 was 0.90, down from 0.97 in 1997. Twenty-five of the 33 towns we audited, most of which have not reassessed in the last five years (or far longer), received higher equalization ratios from DRA.

Although assessment changes are much more frequent for sales in the first 8-9 months of the sale period than for sales in the last 3-4 months, there is nothing to indicate that assessments for sold properties are set based on their sales prices. Individual changes made in assessed values do not seem to fit any particular pattern.

While Derry has a lot of new construction activity, the rate of foreclosure was extremely high. RDC in 1998 identified 60 sales as foreclosures. The assessor identified another 44 foreclosure sales. The foreclosures thus constitute over 11.2 % of the sales. In 1997 the situation was worse. RDC identified 92 foreclosures and the assessor identified another 75 for a total of 167 or 18.5 % of all sales.

Conducting an equalization study in New Hampshire using a sales period that overlaps the completion of an assessment roll becomes much more difficult to do properly when there is a significant amount of assessment change activity short of a full revaluation. In the case of Derry for the 1998 study, it is not easy to determine when the assessor completed the 1998 assessment roll, so that there is no clear cut-off point as to when 1997 assessed values should be used against sales prices and when 1998 assessed values should be used. Clearly for most of the sales period the 1997 assessed value was the latest assessed value at the time of sale. For purposes of our study, we have used July 1, 1998 as a cut-off date. Thus, when computing revised sales ratios for Derry, we used 1997 assessed values for sales before July 1, 1998, and 1998 assessed values for later sales (see 3.3.8 of our report, *Review of Reassessment Practices and Equalization in New Hampshire*). Although some assessment changes may have been made after July 1, this should not impact the ratio calculations much as there were fairly few sales after July 1 with assessed value changes.

For the 1997 study, it was even more difficult to discern when work on the assessment roll effectively ceased. However, it does not appear that this occurred until very near the end of the study period. Therefore 1996 assessed values were used for all sales with assessment changes (again there were few such changes toward the end of the period).

Although we do not conclude that the Derry assessed sold parcels differently than other parcels, Derry does exercise strong control over the DRA's ratio study results in the most effective way possible: not providing assessed values on selected sales. For the 1998 study, the assessor provided no assessed values on 262 sales (31%). Similarly, in 1997 no assessed values were provided on 272 sales (34%). In both years, based on the information available, often there appears to be no distinction between sales for which values were provided and those for which they were not. The assessor's actions severely limited the sales for review by DRA. DRA's role became one of mechanically

throwing out sales without values or identified by the assessor as not valid and catching some invalid sales missed by the assessor. It appears that the excluded sales range from ones that should not be used to ones that clearly are usable. In many, many instances, however, it is not clear from the information provided to DRA whether the sales are usable or not. Still, DRA followed the assessor and excluded the sales.

The 262 sales with no assessed value reported by the assessor in the 1998 study can be broken down into the following categories. Based on the assessor's comments and the other information available, comments are provided on the usability of some of these categories, particularly those with a significant number of sales.

Related individuals (21 sales). These are generally sales between persons with the same surname. These are properly excluded.

Business connection (8 sales). These parcels identified by the assessor as having family or business connections also are not good arm's-length sales.

Purchase for town. (3 sales). Not arms length.

Current use sales (13 sales). Contrary to its guidelines, the DRA usually includes such sales.

Foreclosure (1 sale). Not arm's- length.

Resale after foreclosure (21 sales). The assessor often noted that many of these were quick sales. They are not usable sales. Interestingly, there were another 22 such sales for which the assessor did provide assessed values.

Distress sale (1 parcel). Not enough information to judge usability.

Closing company (1 parcel). Probably invalid.

Original developer purchased unit back from owner at same price (2 sales). Should not be used.

Purchase buy-back from developer (1 sale)

Transfer back to original owner (1 sale).

Purchase from TOD for tax deed (1 sale) ??

Sale of part of lot (1 sale)

Can't identify (1 sale)

Part not in Derry (1 sale)

Sold and resold same day (1 sale). No evidence.

Manufactured housing sold placed on different lot (1 sale)

Court case (1 sale)

Sale included right side of condo (1 sale) ??

Sale date 11/18/96, recorded 3/2/98 (1 sale)

Personal property in sale (9 sales). This is unusual in that assessors rarely noted the inclusion of personal property in sales.

Owner financing (10 sales). Only occasionally are sales identified as having owner financing. This indicates an unusual amount of attention to the sales. In one case the assessor did provide assessed values for an owner financed sale.

Seller paying closing costs (1 sale). The assessor identified other similar situations and made an adjustment to the sales prices.

Private sale - settlement (1 sale)

1997 AV land only - sale of land & building - 1998 AV L/B assessment (27 parcels). These were instances where new homes were being constructed on vacant lots. The sale generally follows the completion of construction. These do not make good usable sales for purposes of a ratio study. However, the assessor did provide assessed values on 23 similar sales, even making similar comments, and DRA used all 23 of them. It is not clear why the assessor provided assessed values on some of these sales and not others.

1997 AV land only - sale land only- 1998 AV L/B assessment (15 sales). The assessor provided no assessed values for any land sales that subsequently were developed. Unless there are extenuating circumstances, these are generally good, usable sales. In this case, at least 10 of the 15 appear to be good sales.

Purchased land - new subdivision - lots combined (1 sale)

Sale included L/B, land assessed separate (1 sale)

Building renovated prior to sale (1 sale). Assessed values were provided for at least two similar sales.

Land sale parcel (1 sale). On the surface looks like a good sale.

Purchased as duplex - valued as condo (1 sale). Several parcels were identified as being converted from duplex to condo, or vice versa, with assessed values provided. It's not clear what makes this one different.

Improvements after sale (3 sales). The assessment at the time of sale should be used and the parcel included in the ratio study.

Permit taken out after sale to demolish house (1 sale) .

Assessment reflects undeveloped value (1 parcel). Sounds like assessment and sale price differ (which should not make the transfer invalid).

Upgrade/remodeling (6 sales). Depending on timing, should not invalidate the sale.

Incorrect data (2 sales). It's not clear how this impacts the validity of the sale (sounds more like data deficiencies).

Data changes - not assessed (24 sales). It is not at all clear why these sales are excluded. One must ask, What are "data changes"? Did the changes occur after the sale of the parcel (in which case the sales are still valid)? Were the assessor's records found to be wrong (in which case the sales are still valid)? In any case, there were another 29 sales in which the assessor made the comment "data changes" or "data corrections" and provided assessed values.

Multiple parcel sales (12 sales). Eleven of the 12 parcels look like good, usable sales if assessed values were available.

Part of purchase with above-below market (1 sale) ??

Sale price below market value (10 sales). Without further explanation, this is insufficient basis for exclusion (sales prices generally reflect market value).

Not an open market (52 sales). This is the largest category and the least understood. The term, "not an open market" was not been used by any other assessor. One must ask, What is "not an open market"? How can it happen so frequently? Is it simply a term used, when none other is available, to exclude a sale? In only about 5 instances was there other information that would indicate that the sale should not be used.

Interestingly, some of the assessor's comments on the 272 sales in 1997 for which no assessed values were provided were very different from those made in 1998. The sales for which no assessments were provided are broken down below. Comments are provided where differences from 1998 are significant. (For six sales the assessor's comments could not be determined because of bad photocopies).

Can't identify (11 sales). Only one sale was so labeled in 1998. It is not clear whether these sales are in another town or there simply was not enough information available to locate them.

Tax collector/town sale (2 sales)

Related individuals (14 sales)

Business connections (10 sales)

Estate (1 sale)

School (1 sale)

Deed dated 12/3/97 (1 sale)

No sales price from RDC (1 sale)

Sale of current use parcel (3 sales)

VA financing - no broker (1 sale)

Foreclosure (6 sales)

Sale after foreclosure (35 sales). The assessor did provide assessed values for another 40 such sales and in another four instances described foreclosure sales as "okay" (and the DRA used them).

Purchased by tenant-no broker-owner disabled (1 sale)

Personal property in sale (2 sales)

Bank owned liquidation (1 sale)

Owner financing (13 sales). Often other comments were added, such as data changes, no broker, closing costs.

New construction-no building on 4/1 (8 sales)

New construction-not complete on 4/1 (27 sales)

Partial building-house gutted (1 sale)

Sale of building only, L/B assessment (5 sales). This seems to be a frequent occurrence in Derry that has not been observed elsewhere. Values were provided for a similar sale.

Land only sales, 1996 land assessment, 1997 L/B assessment (6 sales). Absent other circumstances, these would be good land sales.

Improvements after sale (4 sales). Again these seem to be usable sales.

New subdivision (1 sale)

Lots consolidated (1 sale)

Owner broker-building unfinished (1 sale)

Market data changed in building (1 sale)

Building removed after sale (2 sales). Seem like usable sales.

Sold as building lot-not assessed as such (1 sale). May be an assessment error.

Sold as undeveloped lot-assessed as developed (1 sale). May be an assessment problem.

Building in need of repairs or in poor condition (2 sale). Probably valid sales.

Sale includes in-ground pool (1 sale). Doesn't affect usability of sale.

Unfinished building value (1 sale)

Incorrect assessment data (2 sales). Sales still valid.

Data changes (37 sales). What this has to do with not providing assessed values is not clear. In another eight sales, the assessor did provide values with the notation "data changes". All of these sales were used by DRA. This suggests that if assessed values were available on these 37 parcels, the DRA would have used them as well.

Seller paid points (1 sale). Usable sale (subtract points from the price).

Multiple parcel sales (6 sales). These could well be usable sales.

Quitclaim (1 parcel). Should not be unusable for this reason.

Selling price questionable (1 sale). An outlier?

Cash transfer (17 sales). Some of these sales involved sizeable amounts. This comment was not made in the 1998 study. In two other sales marked cash transfer the assessor provided assessed values, but instructed "do not use". On

one other such sales, the assessor provided the assessed value and the DRA used it. Cash sales are usually clean, arm's-length sales.

Quick sale (6 sale). This comment appeared on many, many sales in the 1997 study, but not the 1998 study. For these six parcels the assessor noted that the time on the market varied from three days to two months. It appears that in 1997 the assessor viewed any sale of property on the market less than three months as a "quick sale" and not usable in the equalization study (DRA has no guidelines to this effect).

Below market (10 sales). The assessor often added other comments as well (e.g., not an open market, cash transfer, distress, no broker, and data changes).

Not an open market (19 sales). As in 1998, this is a significant category. In some instances the assessor added additional comments, but in most cases this was the only comment. The other comments included cash transfer, below market, owner financing, abutter, and no broker. Many of these sales are probably usable sales. In one case the assessor did provide the assessed value for "not an open market" sale. DRA did not use it, citing "private sale".

Clearly, the Derry assessor through the information provided, or not provided, was in clear control of the equalization study results. The assessor was also in a strong position to influence the results because of the many new construction sales used by DRA on which values were set following the sale. Despite all this the Derry equalization ratio dropped from 0.97 to 0.90 in 1998.

For the 1998 study, we were able to obtain assessed values for approximately 75 of the sales on which the assessor provided no assessed values that appeared potentially usable. Similarly, for the 1997 study, assessed values were collected on over 70 potentially usable sales on which the assessor provided no assessed values. A limitation in both cases is the availability of only current year assessed values, so that changes in assessed value from the previous year are unknown. These sales were used in our ratio study analyses (see section 3.3.8 of *Review of Reassessment Practices and Equalization in New Hampshire*).

For sales on which assessed values were provided, in many cases the assessor failed to comment when a comment seemed called for. There were 38 parcels in 1998 and 72 in 1997 with changes in assessed value on which the assessor offered no comments. At least six of these in 1998 and three in 1997 appeared to be new homes. The assessor was also lax in identifying questionable sales, failing to flag 21 instances in 1998 and 20 in 1997 involving family, estate, church, trust, and financial institutional sales. DRA caught nine of these in 1997 and nine in 1998..

A situation found only in Derry is buildings-only assessments. There were nine sales in 1998 in which the 1997 assessed value was for buildings only and the 1998

assessment was for land and buildings. There were two such sales in the 1997 study. Aside from manufactured homes, no other town reported building-only assessments.

Finally, Derry changed more sales prices than in other town. In 1998 in at least 12 instances the assessor provided a revised sale price, and in two cases provided a sale price when RDC did not. In nine of the 12 instances the assessor provided no explanation for the revised price. This did not concern DRA as they accepted 8 of the 9 changes. In the three instances where the assessor did provide an explanation, DRA ignored the assessor's revisions in two (which is unusual) and instead used the PA-34 or RDC-reported price.

In 1997 the assessor provided 11 revised sales prices, and in two instances provided sales prices when RDC did not. DRA accepted and used the sales prices provided by the assessor in the latter two cases. In six of the cases where the assessor revised the price, the assessor provided the reasons for the revision (closing costs, personal property, and per buyer), but DRA ignored the revisions and removed the sales. In three of the five cases in which the assessor made no comment about the revision, the DRA accepted the revisions and used two of the sales. In the other two cases, DRA ignored the revisions and removed the sales.

East Kingston

East Kingston last reassessed in 1992. Its equalization ratio of 0.78 is substantially lower than other towns in the survey that reassessed in the same time period. Most of the equalization ratios for reassessments in the first half of the 1990's range in the high 0.90's. In fact, DRA did not use the median ratio of 0.76 calculated for East Kingston. The equalization ratio of 0.78 is not a median, not a mean, and not an aggregate ratio. Its derivation is unknown.

East Kingston is a town with a lot of new construction and most of the assessor's comments were on new construction and subdivision sales. Easement sales were very common, comprising 10 of 63 sales in the 1998 study. Easement sales were rarely been found in other towns. In 1997 the assessor changed more than half of the sales dates provided by RDC (these changes have no significance in the analysis).

The current use information provided by the assessor is very fragmented and confusing. In several cases it is not possible to ascertain whether the assessor's values are ad valorem or current use assessments. There are several notations of UC removed. It is assumed this means the parcel is no longer in current use.

Eaton

Eaton is a small town with 546 parcels. In 1997 a revaluation done by DRA for \$ 25,000 was implemented. Not surprisingly the median ratio from the 1997 equalization study was 1.00. Eight sales were used in the ratio study. The median sale was a multiple parcel sale, which generally are not used by DRA, with an assessment exactly equal to

the sale price. However, the median ratio in 1998 dropped dramatically to 0.88 and was not used by DRA. Rather DRA chose to use the aggregate ratio of 0.93.

In our analysis for 1997 we dropped four sales and added three. The median was still 1.00. This illustrates the difficulty of conducting a proper equalization study in a reassessment, in which prior year values cannot be utilized. The equalization ratio result can be predetermined by setting assessments close to sales prices. For 1998, we deleted two sales and added one to the original 10 sales to compute a median of 0.89.

Epsom

Epsom last did a reassessment in 1994. From the municipal worksheets it appears that Chester and Epsom have the same assessor. The assessor provides quite extensive comments and clearly identifies the sales not to be used by DRA in the ratio study by stating “do not use”. Further, in most instances the assessor does not provide assessed values for these parcels. This removes any chance of their being included in the ratio study. Sales with high or low ratio are rejected as outliers.

As in Chester current use parcels deserve special mention. The assessor identifies current use parcels with a penalty payment. In 1997 this constituted four parcels. The assessor adjusted the sale price in each instance (see below). However, unlike Chester, DRA ignored the assessor’s adjustments and used the prices provided by RDC. In 1998 the assessor indicated that five parcels had penalty payments, but did not provide the revised sales prices. The adjustments could generally be determined (although in one case the penalty payment was added to the assessed value rather than to the sale price). This time RDC rejected all the current use sales with the notation, “did CU price affect penalty??”.

The adjustments made by the assessor to the current use sales prices are as follows:

1997		1998	
<u>Sale</u>	<u>% Adjustment</u>	<u>Sale</u>	<u>% Adjustment</u>
1	+ 10.0	1	+ 9.2
2	+ 10.0	2	+10.0
3	+ 10.0	3	+ 9.3
4	+ 10.0	4	+ 9.5
		5	+ 10.9

Errol

Reassessment activity is somewhat confusing. Since the 1996 and 1997 assessments on the 1997 municipal worksheets are identical, it seems reasonably certain that a reassessment was implemented for the 1996 assessment roll (despite the statement on the 1997 municipal worksheet that a reassessment was completed in 12/96).

Ad valorem values are not kept for current use properties.

Farmington

Farmington had a 1997 reassessment done by DRA. Not surprisingly, as in Eaton, the equalization ratio was 1.00. The assessor provided no 1996 assessed values for the study, although their usefulness in a reassessment year is limited under the current system.

The Farmington assessor is the only one found who corrected the parcel counts on the municipal worksheets. The corrections confirm all the other evidence that these counts are relatively meaningless

In 1997 DRA included virtually all (seven of eight) multiple parcel sales. Usual DRA practice is to exclude multiple parcel sales. In 1998 DRA reverted to form and excluded all multiple parcel sales.

In both 1997 and 1998 DRA identified a significant number of sales as outliers, more so than in other towns. One wonders if the DRA reassessment project had any bearing.

Gorham

Gorham last did a reassessment in 1991, but has a remarkably high equalization ratio of 1.17 in 1988. This is the highest ratio of any town in the field audit. However, its COD of 29.6 is not good.

Gorham has lots of manufactured housing, which DRA treats highly inconsistently, with some sales used and other similar sales not used. The assessor provided no ad valorem assessed values for current use properties and, unlike most towns, the DRA did not use any current use sales.

Groton

Groton did an in-house reassessment in 1997. Its equalization ratios of 1.11 for 1997 and 1.05 for 1998, if correct, indicate that Groton is assessing in excess of market value.

Given the New Hampshire system there is no choice but to use the revaluation assessments in computing sales ratios. In this environment, the assessor has the ability to set assessed values close to sales prices. In 1997 any sale with an assessed value not close to the sale price was a candidate for removal. A number of sales were rejected as being "below market". DRA seemed a willing participant in this process citing "below market" and "outlier" as reasons to remove sales, even when the assessor had not questioned the sale. DRA reports a COD for Groton in 1997 of 11.7. However, after correcting for sales screening errors and the like, we calculate a COD of 26.4.

In 1998 the assessor had relatively few comments to make. Sales that should have been commented on were not. No assessed values were provided for multiple parcel sales. According to DRA's own calculations, the COD for Groton jumped to 22.9 and, after data corrections, we calculate a COD of 29.0. In any case, this is extremely poor performance one year after a reassessment.

Hanover

Hanover last reassessed in 1989. DRA information indicates that there were partial reassessments in 1997 and 1998. In 1997, however, only three of the 169 sales had assessment changes. The Hanover assessor in responding to the reassessment questionnaire indicates that no reassessment activity occurred in the period 1995 to 1999.

However, the municipal worksheets show that in 1998 the assessor was actively changing assessments. In most cases no explanation was given for the changes made. The assessment changes were reviewed for sales chasing. Seven assessments moved very close to the sale price, 16 moved closer, seven moved farther away, and two were neutral. Also, the number of assessment increases and decreases were approximately equal. No conclusions can be drawn about sales chasing.

One of the interesting aspects of the 1998 equalization study in Hanover is the change made by DRA following a letter from the assessor asking that corrections be made in the sales used subsequent to filing the completed municipal assessment worksheets. The assessor asked that an additional seven parcels be excluded from the study and that two parcels be added. The nature of these sales and their ratios are interesting. The two sales added had ratios of 0.88 and 1.04, reasonable close to the final median of 0.90. In both of these sales section 4 of the PA-34 form had been checked indicating that they were not usable sales. One involved the trustee of a revocable trust. Despite the grantees' declarations, DRA at the assessor's request included these sales. The assessor may not have been aware of the PA-34 forms and the section 4 response.

Ratios for the seven excluded sales were 0.81, 0.77, 0.76, 0.78, 0.68, 0.68, and 1.42. Note that six of the seven have relatively low ratios. The assessor determined that one was a parcel in current use and should not be included (although DRA normally does). Three of the remaining six parcels involved a land only sale with a land only assessment at the time of sale, but with subsequent construction. DRA had properly used these as land sales in its equalization study. However, at the assessor's request they were thrown out. The three remaining sales were determined to be multiple parcel sales by the assessor. Nothing indicates that they are not usable sales, but DRA at the assessor's request threw them out.

While largely unjustified, these changes did not significantly affect the final equalization ratio of 0.90. Without the changes it would probably have been 0.88 or 0.89. Most

disturbing, however, it the DRAs's willingness to violate its usual policies and prior determinations based on little discernible justification.

Current use properties in Hanover have no ad valorem assessed values. The assessor can only provide DRA current use assessments. In large part because of the lack of ad valorem assessed values, DRA did not use 10 of the 11 current use sales in 1997 and 21 of the 22 current use sales in 1998. For the two parcels found usable by DRA, the current use assessments were used to calculate the ratio. In 1998 the sale price and current use assessment were close; in 1997 they were not.

The Hanover assessor identified few family and no abutter sales. Obviously with 3,129 parcels the assessor (who also happened to be new) had less knowledge about individual property owners and local transactions. As a result, very few sales were found unusable. One might have expected the PA- 34 forms to be of help in identifying family and other disqualifying sales. But it appears that relatively few grantees check section 4 when they should. As in a number of other towns, the assessor did not provide property types on the municipal worksheets. Thus, no analysis could be done by property type.

Harrisville

From DRA information Harrisville last did a reassessment in 1987, but retains a remarkably high equalization ratio of 0.95. The questionnaire response from Harrisville indicates that the Avitar Company did a partial revaluation in 1995 for 100 % of the properties.

Harrisville is a small town with 932 parcels. The assessor was thorough in filling out the municipal worksheets. However, several assessment changes were made in both 1997 and 1998 and, with one exception, no explanation was provided on the reason for changes.

Keene

In 1997 DRA used only even-numbered sales in its equalization ratio study, while in 1998 all sales were used. Keene's responses to DRA in 1997 and 1998 are like night and day. In 1997 DRA provided less than the bare minimum of information, while in 1998 quite complete information was provided. In fact, from the perspective of the completeness of their response to DRA, Keene ranks very high in 1998. Most problem parcels were identified. Estates and fiduciaries were flagged and not included in the ratio study. Also, RDC did the most thorough job of identifying foreclosures and fiduciaries of any of the towns reviewed. For 1998 PA-34 forms were filed for 87%, which is exceptionally high (the filling for 1997 was also good at 75 %). These are the positives.

Keene last did a full reassessment in 1992. However, it does some sort of annual indexing or citywide adjustment of assessments. The city allegedly analyzes shopping centers, apartment complexes, and manufactured homes (on owned land) each year

and makes adjustments. The city is broken into 74 neighborhoods, based mostly on geography and topography. Each year sales from August through July are used to compute neighborhood sales ratios statistics. If there are sufficient sales by property type within a neighborhood to indicate assessment changes are needed, a change factor is applied to the property type and neighborhood. It is not clear how the sold properties are handled, although assessed value changes do tend to correlate closely with sales prices.

In 1998 Keene, in addition to the “annual citywide adjustment”, claims to have reassessed land in one area and all plazas. This means that the assessments of many or most parcels were changed. This presents a quandary from an equalization study perspective. What assessed values do you use with the sales prices? DRA as might have been expected used the 1998 assessed values, even though most assessment changes were made after the sales occurred.

In 1998 a very close correlation existed between the assessed values and the sales prices. Is this sales chasing or simply adjusting assessments to reflect the market? For the first eight months assessed values either moved to or closer to the sale price. A ratio of 1.00, or close to 1.00, was essentially inevitable.

Beginning in August assessed value changes meandered and in many cases moved farther from sales prices. This finding coincides with the assessor’s statement that August through July sales are analyzed each year and, where sufficient, used to determine current assessments. The sales occurring after August 1 are independent of the 1998 assessments. Every non-residential sale after August 1 with an assessed value change moved farther away from the sale price (the reverse was true before August 1).

A further analysis was done using DRA data and sales. The median ratio for 1998 was 0.99. A median ratio was calculated from sales for the three-month period August-September, 1998. The median ratio dropped to 0.96. Using the usual 12-month sale period but correcting for data errors and the like, we compute a median of 0.97 for Keane and a COD of 11.7 versus 7.8 reported by the DRA (see exhibit 3-8 to our full report).

In 1997 Keene claims to have done “annual indexing” and achieved an equalization ratio of 1.01.. For the 1997 study, Keene supplied DRA with *no* 1996 assessed values. Only 1997 assessed values were written in. This creates serious complications in doing a meaningful ratio study, particularly if many assessment changes are being made, as in Keene. It also means that there will be no usable assessments for most sales involving new construction. Although “annual indexing” *could* be little more than sales chasing, it is difficult to know based on the information provided.

Although Keene did not supply DRA with 1996 assessed values, an effort was made to collect as many of the assessed values as possible for those parcels deemed to be usable. Assessed values for 1996 were collected on 134 usable sales. Our recalculated

median is 1.00. However, the recalculated COD is 14.5 versus 8.9 reported by the DRA (see exhibit 3-7 of the full report).

Several anomalies were noted in DRA study for Keene. In 1997, the municipal worksheets identified several sales as being multiple parcels sales. The assessor showed a single parcel identification number for these parcels. Unlike most other towns, DRA left these parcels in the ratio study. In 1998, ten sales were not used because the assessor said they were "sale by owner" and six sales were not used because the assessor flagged them as "private sale". These reasons for rejecting sales were not been found elsewhere (in Chester the DRA left in three sales that the assessor identified as "direct sales").

Lyndeborough

Lyndeborough is a small town with 904 parcels. The town last did a reassessment in 1984, one of the oldest in the field audit. For both 1997 and 1998 there were no non-residential sales. The assessor does a generally good job of filling out the municipal worksheets, with only a couple of oversights. The assessor provided complete information on current use parcels.

Manchester

Manchester last did a reassessment in 1991. DRA information indicates that a reassessment will be completed in 2000. There is no indication of partial reassessments or indexing since 1991. Nevertheless, the equalization ratio has remained above 1.00. The collective actions of the assessor and DRA relating to using certain sales with high ratios and the removal of sales with low ratios help explain Manchester's ability to have a ratio greater than 1.00.

Manchester is the largest municipality in New Hampshire with lots of sales. One would expect that the median ratio would always be used. In 1998 DRA set the equalization ratio at 1.01. The median ratio was 1.00, the mean ratio was 1.02, and the aggregate ratio 0.98. These ratios were based on 1,677 sales. If the median ratio cannot be used for Manchester, it must be questioned where it is in fact valid. (In the 1997 equalization study DRA used every third sale; in 1998 all sales were used).

It appears that DRA may be trying to keep the equalization ratio from falling in Manchester. In 1996, DRA also did not use the median ratio of 1.10, but instead used the mean ratio of 1.13. However, in 1997 DRA did use the median ratio of 1.07 (the weighted mean was 1.06 and the mean was 1.09).

The assessed values for new homes in both 1997 and 1998 were substantially higher than their sales prices. Use of many such sales by DRA had the effect of inflating the equalization ratio. In 1997 with only a few exceptions, assessed values placed on new construction were always between 8.5 and 9.5 percent above the selling price. No assessment following new construction was found to be less than the sales price. A

similar pattern existed in 1998. Of 88 new home sales, 82 percent had an assessed value that exceeded the sale price by more than five percent. Only eight had assessed values that were less than the selling price. Other than the assessment changes following new construction, there was not a significant number of assessed value changes in either 1997 or 1998.

The assessor focused the sales review almost exclusively on new construction and the relationship between assessments and sales prices. In 1997, a very significant number of parcels were declared not to be arm's-length without further explanation. In every case DRA rejected the sale on the basis on this broad, unexplained statement. For its part DRA in both 1997 and 1998 rejected five sales as outliers on which the assessor had marked OK. The assessor in 1997 when apparently puzzled by a sale price wrote "assessment under review". This was sufficient for DRA to mark the sale invalid.

In 1998, DRA and the assessor worked to remove many sales with low ratios. The assessor in reviewing the municipal assessment sheets seemed to be more concerned with ratios than the nature of the sales. Sales with low ratios often were flagged with the comment "under review". In most instances, DRA responded with "improvement reflected in sales price, not in assessment". The connection is not clear, but between the assessor and DRA such sales were rejected. In several instances, DRA offered the same explanation even though the assessor had made no comment. The result is the removal of many low ratios from the study that on the surface should have been included. These ratios and the comments are as follows:

	Assessor Comment	DRA Comment
.56	Under review constr	Improvement reflected in SP, not in AV
.75	" " "	"
.84	No comment	"
.85	Under review "	"
.54	Under review for change in use	Change of use reflected in SP, not in AV
.70	Under review	Improvement reflected in SP, not in AV
.73	" " constr	"
.70	Renovations	"
.69	Under review	"
.65	Addtl construction after 4/1 Sale on 2/18	"
.66	Under review	"
.66	No comment	"
.72	Under review	Multiple parcel sale
.64	" " "	Improvement reflected in SP, not in AV
.68	" " constr	"
.60	" " "	"
.49	" " "	"
.70	" " "	Partial assessment
.69	Under review	Improvement reflected in SP, not in AV
.48	" " "	"

.65	“	”	constr	“
.76	“	”		“
.72	“	”	constr	L/B sale; L/O assessment
.55	“	”	“	”
.56	“	”		Improvement reflected in SP, not in AV
.49	No comment			“
.67	No comment			“
.59	Under review	constr		“
.77	“	”	“	”
.64	Temporary value change			“
.60	Under review	constr		Partial assessment
.78	“	”	‘	Improvement reflected in SP, not in AV

Note that in every instance a low ratio was evident. A high ratio did not elicit the “under review” comment. The DRA accepted the assessor’s comments and even provided their own rationale for rejecting sales with low ratios where the assessor did not.

The assessor paid little attention to the grantor and grantee themselves in reviewing the sales. There were few comments relating to family, bank, trust, government sales, and the like. The result is that DRA caught some, but an unusually large number of these types of sales slipped through and were used in the study. For example, in 1998 the assessor did not comment on or flag 31 family sales (probably more, these had the same grantor/grantee last name), a church sale, two non-profit sales, five bank sales, 11 government sales, nine estate sales, a business connected sale, and 88 trust sales. DRA for the most part caught these sales, except for the trust sales. DRA did use the non-profit sales, two family sales, a business connection sale, and 64 trust sales.

While the assessor did not flag 31 clear family sales in 1998 (same last name), he/she did flag 20 sales as being family sales, of which seven did *not* have the same surname. It is interesting that the assessor could find family sales without the same last name, but missed most of those with the same last name. The assessor also flagged seven sales as having business connections, of which five had the same last name. The sales ratios of those flagged by the assessor were examined. While a few were close to the norm, most had quite divergent ratios as shown below:

	Same Name	Different Name
Family	1.81	0.72
	1.97	6.33
	1184.00	3.76
	7.85	2.24
	12.51	0.58
	10.76	4.16
	6.55	0.70
	9.49	
	0.93	
	0.97	

	1.72	
	5.71	
Business	2.81	13.37
	0.87	1.06
	21.84	
	9672.00	
	0.80	

DRA reversed its usual policy on multiple parcel sales in Manchester. DRA generally rejects multiple parcel sales and sometimes even goes out of its way to do so. However, in Manchester in 1997 and 1998, DRA included most multiple parcel sales. DRA in 1997 used 12 out of 15 multiple parcel sales in the sample. The sales not used were similar to those used. In 1998 DRA used 21 of 31 multiple parcel sales that appeared to be valid. There is no clear explanation for why some were used and others were not.

Making things even more bizarre, DRA declared some 54 individual sales invalid, deeming them to be multiple parcel sales. These sales tended to have a common grantor, grantee, street name, etc. What is strange is that DRA rejected these sales as "multiple parcel sales" while using others identified by the assessor as true multiple parcel sales.

Manchester has a high percentage of duplex and multi-family sales. In 1997, 25 percent of the sales were duplex and multi-family properties. No other municipality surveyed has so high a percentage of multi-family sales. However, a strange phenomenon occurred between 1997 and 1998. In 1997, 165 of 660 sales in the equalization study sample were coded duplex/apartment. In 1998, only 70 of 2,317 sales (3%) were coded duplex/apartment. What is even more confusing and confounding is that the duplex/apartment sales in 1998 all occurred in very narrow time frames: 31 between June 29 and July 16 and 39 between August 7 and September 13. How the number of duplex/condo sales could drop off so dramatically in 1998 and how they could all occur within two narrow time frames totaling about six weeks is far from apparent.

Manchester had a very high rate of PA-34 forms filed, in excess of 70 percent. More than in any other municipality surveyed, a very significant percentage of grantees checked section 4 indicating that the sale had conditions that made it unusable. In 1997 the DRA used ten sales where the grantee had checked section 4 of the form. It is not clear why these sales were not rejected.

In 1998 the assessor frequently either added sales prices where RDC had not provided them or changed RDC's price. RDC did not provide sales prices for 16 sales. In the absence of a PA-34, DRA used the price provided by the Manchester assessor. However, in eight instances the change in sale price made by the assessor did not conform to the price on the PA-34. In these instances DRA ignored the assessor's price and used the PA-34 price. The correct price in these cases is probably unknown.

Monroe

Monroe's most reassessment was in 1986, making it one of the oldest in the field audit. Its response to the reassessment questionnaire indicates that no prospective reassessment is planned.

Monroe is a small town with 560 parcels and few sales. There were 20 sales in 1998 and 11 in 1997. Of the 20 sales in 1998, the assessor provided no 1997 or 1998 value on two parcels and no 1997 value on a third. These sales could have significantly affected the median ratio. DRA used a ratio of 0.76, which is neither the median, the average, or the aggregate ratio. The 12 sales found usable by DRA produced a median ratio of 0.80. We found 13 sales to be usable, which produced a median ratio of 0.85.

In 1997, DRA derived a median ratio of 0.70 based on five sales, which it used. It is not clear why DRA would use the median ratio with five sales in 1997 and not use a median ratio in 1998 with 12 sales. We found six usable sales in 1997, which produced a median ratio of 0.80. The addition of one sale changed the median ratio by 14.3 %. It appears that DRA struggled to remove a sale in order to get a ratio to its liking. The reasons given were multiple grantors and distress sale, although the assessor had made no comments about the sale.

In 1997 the assessor provided no ad valorem or current use values for parcels receiving current use assessments.

Moultonborough

The records show that Moultonborough reassessed in 1996. DRA data indicates a partial reassessment for Moultonborough in 1997. However, the questionnaire completed by the town does not indicate any partial reassessment or indexing in either 1997 or 1998. From 1996 to 1998 Moultonborough's equalization ratio dropped from 1.01 to .91. Most municipalities with much older reassessment have higher equalization ratios. The COD has quickly risen in this same period from 8.54 to 17.45 and the price related differential is very high.

Moultonborough has a very large amount of waterfront. A significant number of the sales are for waterfront properties and Moultonborough has provided DRA with additional property codes to break out in greater detail the waterfront sales. It is possible that a disproportionate number of sales are for waterfront properties, for which values have risen comparatively rapidly. However, DRA employs no stratification scheme in its equalization studies.

In 1997 DRA used only the even numbered sales in calculating the equalization ratio, although the assessor provided full assessed value information on all parcels and made comments equally on odd and even numbered properties.

In 1998 the assessor requested a number of changes in the sales used in the study. Sixteen sales not used by DRA were asked to be included. DRA complied and added all sixteen sales. The sales ratios ranged from 0.59 to 1.53. Adding them probably did not affect the equalization ratio calculated, or if so, only slightly. A review of the sixteen sales suggests that eight should have been included and eight should not have been. Many of the sales that should have been included were land only sales with 1997 land assessments, but with new construction in 1998. DRA is ambivalent about these sales and sometimes includes them and sometimes excludes them. Many of the sales that should not have been included were sales of new homes followed by the establishment of the assessed value.

The assessor asked that five sales be removed from the equalization study. DRA complied. A review of the sales indicates that two were invalid sales and that three appeared to be valid sales (although two were outliers).

The assessor asked that the 1997 rather than the 1998 assessed value be used for three parcels. The assessor was correct, even though the result reducing the ratios. In another instance the assessor pointed out that the assessed value being used by DRA was for one parcel while the sale price included two parcels.

Many transactions involved the same grantor selling two parcels to the same grantee. This happened 14 times in 1998 and eight times in 1997. Of the 22 sales, in only two instances did the parcels have the same street location. DRA used all of these sales that appeared arm's-length in 1998 and part of them in 1997. In a somewhat similar situation in Manchester, DRA rejected all the sales as invalid.

The percentage of PA-34 forms completed in 1998 was quite good, with 65 percent of the sales having a form filed. However, of the 255 PA-34 forms filed, only one had section 4 checked indicating that it was not an arm's length sale. Clearly, the number should have been substantially higher.

Newbury

Newbury's most recent reassessment was 1994. Newbury is distinguished by the number of tax sales it had in both 1997 and 1998. Twenty of 99 sales were tax sales and in 1997 and 14 of 131 in 1998 (other towns had only an occasional tax sale). There were eight boat slip sales in 1998 but none in 1997. Aside from new construction, the assessor provided no explanation for changes in assessed value, with one exception.

In 1997, but not 1998, many sales did not have assessed values filled in. While some of these sales were not usable, on the surface it appears that some of them might have been. The assessor viewed all multiple parcel sales as invalid.

Pembroke

The last reassessment was in 1988, although in responding to our reassessment questionnaire the Pembroke assessor indicates that a 1993 update was done in-house. Pembroke's equalization ratio has remained high at 1.00 in 1997 and 0.95 in 1998. . From the 1998 sales it appears the assessor in 1998 increased all condominium assessments by six percent.

In both 1997 and 1998 the assessor clearly identified the sales not to be used in the ratio study and wrote in "do not use". The assessor also did not provide any assessed values for these parcels. DRA did not raise any questions and complied. The assessor, in nearly all instances, provided an explanation for the reason behind "do not use". With the exceptions of two areas, the reasons provided by the assessor appear valid. The exceptions are "outliers" with no additional explanation and "multiple parcel sales" with good assessment information.

In 1997 the assessor wrote in the sale ratio of each of the sales that he/she wanted in the study. The assessor could thus easily determine the probable equalization ratio.

In 1998 three sales involved current use penalties of 10 percent. The assessor made a ten percent upward adjustment to the selling prices. DRA did not accept the assessor's revised prices and, perhaps in a quandary, rejected the sales.

Pittsburg

Although Pittsburg last reassessed in 1991, its equalization ratio was 1.09 for 1997 and 1.10 for 1998. If accurate, this indicates a significant deterioration in property values in Pittsburg. Its COD is among the highest of the towns audited.

The assessor commented on a large percentage of the parcels, much more often than in other towns. He/she obviously is very familiar with the town and the people in it. However, often times the comments were general and insufficient to determine the proper disposition of a sale. A frequent comment was "prior sales agreement". This comment was only rarely found in the other towns. DRA removed these sales from the study. Complete information was supplied on current use sales.

Plainfield

Plainfield last reassessed in 1992. Its equalization ratio rose in 1998 relative to 1997 and its COD is high.

Plainfield has an unusually large number of parcels with current use assessments. Eleven of 48 sales (22.9 %) in 1997 and 27 of 83 sales (32.5 %) in 1998 were in current use. The assessor provided full information on these properties. Unlike other towns, DRA appeared to look for reasons to throw current use sales out of the 1998 study. The reason given for removal of four sales was "over representative of land". Seven were rejected as multiple parcel sales, although in some cases there was no evidence of this. Another sale was removed as an "outlier".

The assessor comments were sometimes insufficient to justify the removal of sales, although DRA did so. Sales where the ratio of the assessment to sales price were significantly out of line were termed “stress sales”. A common assessor comment was “annexation. Its exact meaning is unclear. The assessor does also use the terms abutter and subdivision. None of the seven “annexation” sales were used by DRA.

Plaistow

Plaistow last had a revaluation in 1987. Its equalization ratio had been very high for so dated a revaluation, but dropped from 1.00 in 1996 to 0.91 in 1998. Plaistow is obviously undergoing a building boom in new home construction. In 1997 there was a huge amount of subdivision activity, followed by a great number of new homes built in 1998. According to the reassessment questionnaire, a 1999 reassessment is being conducted by the Cole-Layer-Trumble Company.

The assessor did one of the most complete and thorough jobs in filling in and commenting on the municipal worksheets of any of the towns audited.

Not surprisingly, there were many new construction sales. If possible DRA likes to use these sales. In all there were 50 sales with new construction as of April 1. DRA used 32 and did not use 18. What becomes important is the time frame of the sales. Using March 15 as a breakpoint, DRA used 26 of the 29 sales before March 15, but only 6 of the 21 sales after March 15. Where a sale of a new home has occurred and the assessor puts an assessed value on it, the sale will be used. In these cases the sale price is known when the assessments are set. Where the assessor indicates the assessment reflects partial construction or construction has not yet begun on April 1, the sales are not used.

Many developers are involved in the new home activity with the same grantor names appearing over and over. DRA rejected four sales from one developer on the basis of “over representation of subdivision in the sample”. This particular developer had 20 sales, 16 in one area and four in another area. Seven of the sales were not used as a result of a partial assessment or a land only sale. Of the remaining 13, DRA chose not to use the four sales with the lowest ratios (.56, .81, .82, .83). The ratios for the other nine sales that were used ranged from .86 to .95.

Roxbury

Roxbury is probably the smallest town in the field audit with only 196 parcels. In 1998 there were three usable sales and in 1997 only two. In 1997 the two sales had ratios of 0.84 and 1.31 for a median ratio of 1.075, which was used by DRA as the equalization ratio. The three sales in 1998 had ratios of 1.13, 1.30, and 1.52 for a median ratio of 1.30. DRA used the prior year ratio of 1.07 for the 1998 equalization ratio. With so few sales it is not clear what makes one of the ratios acceptable and the other (the one with

the extra sale) unacceptable. In truth, in neither year are there sufficient sales to determine a meaningful ratio.

For both 1997 and 1998 the assessor provided current use values but did not add valorem values for parcels in the current use program.

Salem

Salem has not done a revaluation since 1980 and had an equalization ratio of 0.41 in 1998. It is a sizeable town and has a large sales volume. In the 1997 equalization study, DRA only used the even numbered parcels.

During the field audit a higher percentage of parcels were either added or removed from the DRA selections than in any other town. DRA adopted more new approaches and had more inconsistencies than in any 33 towns reviewed.

The assessor in Salem did not provide extensive comments. Most of the comments related to new construction and parcel splits. Only a limited number of the obvious family sales were identified. Sales involving banks, educational institutions, charities, government, trusts, estates, etc. were rarely identified. As a result more of them than usual likely made it into the ratio study.

There were also substantial inconsistencies between 1997 and 1998. The only common theme seemed to be DRA interest in throwing out outliers. It appears as if DRA looked at the ratios produced and then looked for reasons to reject sales that did not fit the desired pattern. In 1997 DRA rejected 10 sales on the basis of "quitclaim. Many of these sales should have been rejected, but not on the basis of quitclaim. The sales that appeared to be good sales had ratios deviating from the norm (.35 and 2.30). In no other town were sales found that were rejected because of "quitclaim".

In 1997 sales were rejected as being land/building sales when available evidence indicated they were land only sales. Realty trust sales were rejected as being "trust" sales. Many other realty trust sales occurred and were not rejected. Realty trust sales are very common and are usable. The only common element in those rejected are their very low ratios (.13, .17, .24, .27).

In 1998 DRA rejected 10 sales on the basis of "improvement between assessment and sale". DRA often uses parcels that have a land only assessed value in the first year and a land/building value in the second year. However, in these 10 cases DRA did not. Again the common theme was that all 10 parcels had ratios that would be considered outliers.

DRA also appeared to make a conscious effort to single out parcels on the municipal worksheets that had been cited as having more than one parcel. This column often contains incorrect information and wisely DRA generally ignores it. But in 1998 in Salem some 63 sales were rejected for the reason "multiple parcel sale" when the evidence did not support this conclusion. At the same time, DRA did include 19 other

parcels listed on the worksheets as being multiple parcel sales (three of which should have been excluded). There is no apparent reason as to why DRA included some of these parcels and excluded most of the others. Even a ratio analysis does not provide a rational. The 63 sales had a median ratio of .42 and the 19 sales a median ratio of .40.

Further, DRA rejected six sales as multiple parcel sales that show up on the municipal worksheets as single parcel sales (all evidence confirms them to be so). Why DRA labeled them multiple parcel sales is unclear. Five of these sales have the lowest ratios among the 63 sales rejected: .17, .25, .25, .26, .26, and .37..

However, in contrast to 1998, in 1998 there was no effort made by DRA to identify and remove sales based on the column in the municipal worksheets showing parcel counts.

Salem had a significant number of splits. There was no assessed value for these parcels in the previous year. DRA uses such sales whenever possible. They are also the easiest for the assessor to set a value near the sale price. In Salem there were six sales with no previous assessment in 1997 and 10 in 1998. The assessments set for the 10 subdivision splits in 1998 had ratios from .38 to .42, a very tight range. By DRA using most sales involving splits, assessors in towns with a significant amount of new construction and development can pretty much govern the outcome of the prospective equalization ratio. Overt sales chasing isn't necessary.

Sandown

Sandown last had a reassessment in 1989 by Vision Appraisal, yet has the second highest equalization ratio (1.12) of any of the 33 towns in the field audit. In 1998 it had an incredibly good COD of 10.3. The housing boom occurring in Sandown would generally point toward a much lower equalization ratio and higher COD.

Sandown is a town with an incredible amount of new housing being built. Most of it is occurring on tracts that are in current use. Two major developer's names appear over and over. Several smaller developer names appear less frequently. Multiple sales of the same parcel within the same year are common. Often the first sale is a land sale involving various developers and real estate interests. The second sale is for the completed home.

The assessor's comments relate only exclusively to new home construction activity, current use, and subdivision sales. Similarly, aside from such sales, in 1997 the assessor only identified two family sales and one bank sale. DRA without guidance from the assessor flagged a bank and a family sale in 1998 and a bank and two family sales in 1997.

In 1997 the assessor was active in making small assessment changes, citing decks, sheds, etc. In 1998 there was no identification of assessment changes related to improvements. It appears that the assessor was following building permits closely in 1997.

DRA did an unusually thorough job in 1998 of reviewing section 4 of the PA 34 for Sandown. Several sales were specifically rejected as a result. However, DRA seems to have more problems and inconsistencies in Sandown than in most other municipalities reviewed. Problems exist in handling assessments where additions and improvements occurred, the use of partial assessments, current use parcels, new construction, trusts, and sales price involving two parcels

Current use sales presented a special problem. In 1997 there were 15 sales of parcels in current use 29 in 1998. Of the 15 parcels in 1997, 14 were related to building new homes, yet DRA used 10 of them (including two with seemingly unknown assessed values). Of the 29 current use sales in 1998, 20 involved new homes (four developers) and the rest were government sales, trust sales, two section 4 of the PA-34 checked as unusable, or had no sales price supplied by DRA. DRA managed to use 13 of these sales. Those involving new homes almost always had no prior assessed value as they were split off from larger parcels.

Tilton

Tilton had a 1990 reassessment done by Avitar. It continues to have an equalization ratio above 1.00.

Except for a few anomalies, Tilton does not seem to have any unusual characteristics. In 1997 the assessor successfully screened out a number of sales by not providing assessed values and by stating that the sales were multi-parcel or non-arms-length, but gave no supporting information. The assessor identified many parcels as being family sales although there was no common last name. The assessor's actions are not questioned, but it does make one wonder how many family sales may be making it into the ratio study in other, larger towns that rarely identify family sales.

There were only two sales involving current use, both occurring in 1997. DRA used one and not the other. In the sale used, DRA used as a numerator in the ratio calculation the difference between the ad valorem value and the current use value, an obviously wrong number.

Tuftonboro

Tuftonboro last did a complete reassessment in 1994. Information from DRA indicates that Tuftonboro did a partial reassessment in 1998. Other than assessed value changes for new construction or improvements, only one sold parcel had an assessed value change in 1987, with the assessor comment of "adjusted for rocky topography". In 1998 assessed value changes occurred only on those parcels where the new owner had filed an appeal. It must be concluded that DRA's information is erroneous. The reassessment questionnaire indicates that Tuftonboro completed a partial reassessment in 1999. The assessor's response on the reassessment questionnaire indicates that a trend factor was applied to 30 percent of the parcels.

Tuftonboro has several unusual characteristics. It has many waterfront properties and several islands. Of the 277 sales in 1997 and 1998 there were no commercial and industrial sales (other than waterfront and boat slip/boat dock sales). There also was almost no sales involving new construction and very few sales where improvements were identified.

The number of sales involving a trust was extraordinary. In 1997, 29 sales (22.7 %) had a trust as the grantor or grantee. In 1998, 34 sales (22.8 %) had a trust involved in the sale. The Tuftonboro Land Trust was part of several sales. Unlike other towns, DRA used nearly all trust sales with no extenuating circumstances. There were only two exceptions, one in each year.

The assessor rarely made comments on any of the sales involving trusts. In fact, the assessor identified only a few sales as family sales and none as abutter sales. The assessor missed sales involving a fiduciary and a family sale. The assessor referred to several sales as "internal" sales, a term not used elsewhere. The assessor did not supply assessed values for these sales.

Walpole

Walpole last reassessed in 1992, with the reassessment done by Avitar. In both 1997 and 1998 the assessor did not provide assessed values for a number of sales. Some of the parcels appeared to be unusable, but many had no evidence to indicate that they were not good sales.

In 1998 the assessor showed current use values differently than any of the other towns. Current use value is shown as a credit for three of the four parcels used by DRA. It appears that DRA subtracted the current use from the ad valorem assessment and used this result in the calculation of the sales ratio.

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