SCHOOL DISTRICT BENEFITS

In New York State, most school districts apportion their tax levies among segments of several municipalities, many of which have different levels of assessment. The number of municipal segments in a school district can range from one to fifteen or more. This is particularly significant in light of the fact that school districts receive close to 60% of the total property taxes collected statewide.

To distribute school taxes fairly, the equalization rate is used to account for different levels of assessment between municipal segments of a school district. Without equalization rates, appropriate tax rates could not be calculated.

Where assessors are accurately stating the LOA, they will be signaling the equalization rate upon which school taxes are distributed. As a result, more and more school districts can now consult directly with assessors during the budget-making process, months before ORPTS will be able to calculate equalization rates.

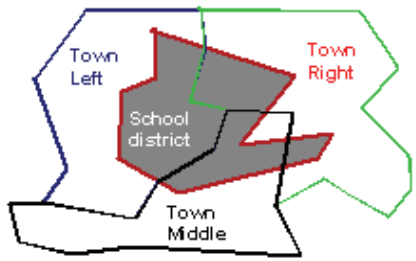
In addition, process improvements have made the equalization rate more understandable. In the past, equalization rates were not based on current real estate market values. This produced what was often known as the "lag."

Now the rates are a much more accurate reflection of the relationship between current market values and the assessed values on the assessment roll upon which taxes are being levied. And, since the rate-making delays of the past have been eliminated, the rates themselves are now available before school taxes are levied.

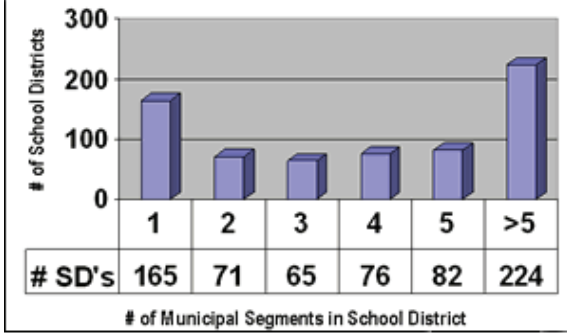
While these improvements can represent significant benefits for school districts, there is an additional and even more profound benefit in districts where each segment has the same LOA—the ability to have a uniform district-wide tax rate.

THE CHALLENGE

In New York State, school taxes are allocated among 2900+ city/town segments



NEW YORK'S SEGMENTED SCHOOL DISTRICTS
2005-2006 School Year



ADDITIONAL RESOURCES

To find the local level of assessment and learn more about assessing practices in their communities, we encourage school districts to contact their local assessor's office.

Contact information for assessors and other local officials, as well as equalization rates, exemption amounts and other information is available on the ORPTS website: www.orps.state.ny.us

New York State Department of Taxation & Finance
Office of Real Property Tax Services
W.A. Harriman State Campus
Albany, New York 12227
518-591-5232

The Locally Stated Level of Assessment

- **What it is**
- **Where to find it**
- **How it's determined**
- **How it relates to equalization & school district budgeting**

New York State Department of
Taxation and Finance
Office of Real Property Tax Services

www.orps.state.ny.us *January 2011*

LEVEL OF ASSESSMENT BASICS

The Level of Assessment (LOA) is simply the percentage of full value at which properties are assessed within a community. For instance, an LOA of 50% would indicate that assessments are at half of the market value; an LOA of 100% represents a community that is assessing at full value.

In most states, assessments are required to be recorded at a single LOA, most commonly 100%. However, in New York State, each municipality is allowed to choose its LOA.

In New York, no matter what LOA the municipality uses, all of the assessments in the community are required by law to be at a "uniform percentage of value." In other words, if a town chooses to assess at 40% of market value, then all of the properties in the town should be assessed at 40%. (Only New York City and Nassau County are authorized by State Law to assess each of four specific classes of property at different levels.)

WHERE TO FIND THE LEVEL OF ASSESSMENT

Beginning with the "Property Taxpayers' Bill of Rights" in 1998, property tax bills are required to show the municipal LOA and the full value of the individual property. In addition, since 1999, the assessor is required to state the LOA on the tentative assessment roll. (In most municipalities, tentative assessment rolls are published on May 1.)

SYSTEMATIC ANALYSIS AND THE LOA

Since assessors are required, each year, to publicly state the LOA on the tentative assessment roll, and in most communities property values will change from year to year, assessors generally begin the process by analyzing the past year's assessment roll. In order to analyze changes in the values in the community, a four step process, known as *systematic analysis*, is recommended.

THE FOUR STEPS

1. Data Collection – As the foundation of the assessment process, assessors gather data regarding individual properties as well as real estate market areas. The goal is to ensure that the information upon which subsequent analysis will be performed is accurate, thorough, and that local market influences are captured. The data collected includes property characteristics, sales data, income and expense data, and cost data.

2. Data Grouping - Based on the information collected in Step 1, the properties are grouped together to reflect the differing effects of supply and demand in the various real estate sub-markets. Factors used to group properties will likely vary among communities, but often include the following: geographic location, size (square-feet, number of units, number of bedrooms), year built, design type, lot size, as well as property type (residential, commercial, vacant, etc.)

3. Analysis – Statistical analysis is used to draw conclusions about each of the groups of data. In the *diagnostic* stage of analysis, the marketplace and assessments are analyzed. This allows the analyst to draw conclusions about the level and uniformity of assessments from the previous year's assessment roll compared to current market conditions. The diagnostic stage might include frequency distributions, calculation of measures of central tendency and dispersions, and graphical display of the data. Sales ratio studies are common during this step, as are computer assisted mass appraisal techniques.

Based on the results of the diagnostic analysis, the assessor makes decisions relative to the assessments on the upcoming roll. In some instances, the analysis will help the assessor determine the LOA that will be used to create the next assessment roll. In other instances, the analysis will help the assessor determine which assessments will be changed. This is known as the *prescriptive* stage of analysis.

When an assessor decides that assessments are to be changed, trending (where groups are uniform) and individual property reappraisals are used to update the assessments where appropriate. If the LOA is maintained at 100, the municipality may be eligible for $5 per parcel State Aid.

4. Validate Results – In this last step, predicted assessment results are reviewed for accuracy, stability and explainability. In order to confirm that their estimates and conclusions match the actual values in the community, assessors might consult with real estate appraisers/brokers, review published trends and examine recent sales.

THE LEVEL OF ASSESSMENT AND EQUALIZATION RATES

ORPTS computes equalization rates by dividing the total assessed value of taxable real property by an estimated total full value of the property in a municipality. Equalization rates are New York State's independent measure of each municipality's overall LOA; they do not indicate the degree of *uniformity* among assessments within a municipality. By law, the rates are used to apportion taxes in taxing jurisdictions that cross municipal boundaries.

Since each assessor is now required to make public the municipal LOA, ORPTS is able to review the work of the assessor and determine whether the stated LOA is within adequate tolerances to be used as the equalization rate - if certain criteria are met, the LOA becomes the rate. This ability has streamlined New York's equalization process and brought the State into line with international norms and standards.

It is important to note that, if the systematic analysis indicates that, due to market changes, there is a need to adjust, from the prior year, either the stated LOA or the assessments, but no action was taken by the assessor, the State equalization rate may differ from the locally stated LOA.