



December 5, 2024

FREEPORT, ME TOWN COUNCIL WORKSHOP ABCs of Assessing

WHAT ARE PROPERTY TAXES?

Municipalities are authorized by State law and the Maine Constitution to assess a tax on property located in the municipality.

- *The purpose of the tax is to raise funds for municipal services*
- *Title 36 of the Maine Revised Statutes - <https://legislature.maine.gov/statutes/search.htm>*
- *Maine Constitution – Article IX, Section 8*

All taxes upon real and personal estate, assessed by authority of this State, shall be apportioned and assessed equally according to the just value thereof.

Types of Local Property Taxes:

- *Real Property Taxes*
- *Personal Property Taxes*
- *Special Assessments*

WHO ASSESS PROPERTY TAXES?

Selectboard – Town Meeting Government

- The legislative body in towns can choose either a single appointed assessor or an elected board of assessors. The select board can also be the board of assessors.

Town / City Council Government

- Assessors in towns/cities are governed by [30-A M.R.S. § 2552](#) and the towns/city's charter.
- Must be re-appointed every 5 years. [30-A M.R.S. § 2526\(5\)\(A\)](#)

Assessors are employed by the municipalities but are agents of the State and fall under the authority of the State Tax Assessor. [36 M.R.S. § 701 \(Dillon v. Johnson\)](#)

OTHER MUNICIPAL OFFICIALS

Municipal Officers (when not also the board of assessors)

- **Do not** set the tax rate, but propose the budget.
- **Do not** set overlay, but can discuss with the assessor.
- Should settle with the tax collector when they leave office.
- Authorized to issue certain abatements.

Tax Collector

- The assessor commits taxes to the tax collector; the collector must collect taxes assessed.

Local Board of Assessment Review (BAR)

- Hear appeals.

Mass Appraisal vs Individual Appraisal

Mass appraisal is defined as “the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing.”

Aspect	Mass Appraisal	Single-Property Appraisal
<u>Scope</u>	Large groups of properties	Individual property
<u>Purpose</u>	Property tax assessment	Real estate transactions, mortgage lending, legal disputes
<u>Methodology</u>	Standardized procedures, statistical models	Detailed analysis, on-site inspections
<u>Efficiency</u>	High, assesses many properties quickly	Lower, focuses on one property at a time
<u>Consistency</u>	Ensure uniformity across similar properties	Tailored to the unique characteristics of the property
<u>Data Used</u>	Broad data sets from many properties	Specific data from the individual property
<u>Accuracy</u>	Generally accurate for groups, less precise for individual properties	Highly accurate for the specific property

PROCESS FOR ASSESSING AND COMMITTING PROPERTY TAXES

1. **Assessors must inventory all real and personal property in the municipality as of April 1st.** [36 M.R.S. § 708](#)
 - Must assess the owner of the property and the property as it exists on April 1st.
2. **Assessors must determine the value of the property.**
 - Must apportion and assess the property equally according to its “**just value.**” [Maine Constitution Article IX, Section 8](#)
 - Just values are generally defined as fair market value.
 - All three approaches to valuation must be considered in determining valuation. (Cost, Income, Sales Comparison)
 - Taxes must be apportioned and assessed equally; no unjust discrimination.

RATIO ANALYSIS 36 M.R.S. § 328(8)

- **Qualified Sales:** between July 1, 2023 to June 30, 2024
 - A qualified sale is a typical market sale that is considered to be an **arm's-length transaction**. This means that the sale was not affected by either party's unreasonable or unusual influence, control, or motivation.
- **Average Ratio:** 78% (goal: 91%-92%)
 - State requirement: No less than 70%, falling below the range, the State will demand a full re-evaluation to be conducted. 36 M.R.S. § 327
- **Quality Rating:** 17 - Measurement of uniformity of local assessment practices.
 - State requirement: 20 or less
- **Average Deviation:** 13
 - The range of the sales ratios above and below the median ratio.

This ratio study is a preliminary gauge of the market condition. An updated study will be conducted prior to FY 2026 commitment.

Please reference the handout.

PROCESS FOR ASSESSING AND COMMITTING PROPERTY TAXES

3. Assessors must fix the tax rate and compute individual taxes.

- Divide the total amount to be raised from taxation by the total taxable valuation of property in the municipality = tax rate (mill rate)

Municipality	Assessor
1. Approve municipal appropriation.	1. Assess all real and personal properties.
2. Add County taxes, TIF payout, and Education appropriation.	2. Deduct exempted property values.
Total Appropriation	3. Deduct exemptions.
3. Deduct anticipated revenues and reimbursements.	4. Deduct BETE exemptions.
Total Tax Levy	Total Taxable Valuation

Tax Rate (mill rate):

Total Tax Levy ÷ Total Taxable Valuation

VALUATION COMPARISON

FY 2024 VS. FY 2025

Town of Freeport - FY 2024 vs. FY 2025				
Appropriations	FY2024	FY2025	Diff. \$	Diff. %
County Taxes	\$ 1,436,042	\$ 1,442,472	\$ 6,430	0.45%
Municipal Appropriation	\$ 13,286,385	\$ 14,648,586	\$ 1,362,201	10.25%
TIF Amount	\$ 1,769,199	\$ 1,686,728	\$ (82,471)	-4.66%
Local Education Appropriation	\$ 21,239,560	\$ 22,692,612	\$ 1,453,052	6.84%
Overlay	\$ 328,026	\$ 459,891	\$ 131,865	40.20%
Total Appropriation	\$ 38,059,212	\$ 40,930,289	\$ 2,871,077	7.54%
Deductions	FY2024	FY2025	Diff. \$	Diff. %
Anticipated State Revenue Sharing	\$ 1,200,000	\$ 1,210,000	\$ 10,000	0.83%
Other Revenue	\$ 4,333,700	\$ 4,724,963	\$ 391,263	9.03%
Homestead Reimbursement	\$ 516,948	\$ 505,669	\$ (11,279)	-2.18%
BETE Reimbursement	\$ 517,352	\$ 467,511	\$ (49,841)	-9.63%
Total Deductions	\$ 6,568,000	\$ 6,908,143	\$ 340,143	5.18%
Net Assessment for Commitment	\$ 31,491,212	\$ 34,022,146	\$ 2,530,934	8.04%
Mil Rate	0.01375	0.01335	\$ (0.00040)	-2.91%
Taxable Valuations	FY2024	FY2025	Diff. \$	Diff. %
Ttl Real Estate Taxable Valuation	\$ 2,224,259,225	\$ 2,476,867,333	\$ 252,608,108	11.36%
Ttl Personal Property Taxable Valuation	\$ 66,010,748	\$ 71,608,059	\$ 5,597,311	8.48%
Total Taxable Valuation	\$ 2,290,269,973	\$ 2,548,475,392	\$ 258,205,419	11.27%
\$00.01 Mil Rate = Valuation	\$ 1,665,650.89	\$ 1,908,970.33	\$ 243,319.44	14.61%
\$00.01 Mil Rate = Tax Amount	\$ 22,902.70	\$ 25,484.75	\$ 2,582.05	11.27%

PROCESS FOR ASSESSING AND COMMITTING PROPERTY TAXES

4. Assessors must make a record of the assessment.

- Municipal Valuation Book must be kept with the Assessor or the Town Clerk. n [36 M.R.S. § 711](#)

5. Assessors must then commit taxes to the tax collector.

- Commitment forms must be signed and given to the tax collector.
 - List of taxable properties.
 - Certificate of Commitment.
 - Certificate of Assessment.
 - Collector's Warrant.

Once taxes are committed, no additional funds can be raised!

ABATEMENT

Taxpayer

- 185 days from the date of commitment to request an abatement. [36 M.R.S. § 841\(1\)](#)
- For an abatement to be approved, the assessment must be proven to be manifestly wrong:
 - The assessment was illegal, had irregularity, or had errors.
 - Assessment was overvalued, greater than other similar properties' assessment by **10%** or more. [36 M.R.S. § 841\(1\)](#)
- The burden of proof is on the taxpayer. ([Delta Chemical v. Searsport](#)) ([Sears, Roebuck & Co v. Presque Isle](#))
- FY 2025 Abatement Deadline: **March 20, 2025**

ABATEMENT

Assessor

- Can grant an abatement within one year from the date of commitment. [36 M.R.S. § 841\(1\)](#)
- A municipality cannot vote to direct the assessor to grant specific abatements. [\(Thorndike v. Camden\)](#)
- Permissible type of abatements:
 - Over-valuation
 - Illegal, irregular, or erroneous assessment.
- Non-compliance with an assessor's notice to furnish a true and perfect list of taxable property or notice for clarification of taxable property can result in the taxpayer being barred from applying for an abatement. [36 M.R.S. § 706-A](#)

ABATEMENT

Municipal Officers

- Can grant an abatement between one and three years from the commitment date. [36 M.R.S. § 841\(1\)](#)
- Municipal officers cannot grant an abatement to correct an error in valuation, error in valuation can only be corrected by the assessor.
- Permissible type of abatements:
 - Illegal, irregular, or erroneous assessment.
 - Hardship or poverty.
 - Inability to pay after two years.
 - Minor amounts – personal property taxes that are minor or financially burdensome to collect. [36 M.R.S. § 760-A\(1\)](#)

Taxpayer's Concerns #1

The sale prices are much higher than the assessment. The assessment value of these properties should match their sale price. Not doing so creates inequity in the assessments, and a full revaluation must be performed.

1. It is permissible to change a property's valuation based on its recent sale price (chasing the sale). In the 1981 case of Shawmut Inn v. Kennebunkport, the court ruled that a recent public sale of a property is evidence of its market value for tax purposes.
2. While this action is allowed, **“chasing the sale”** is rarely used. In valuation disputes, the courts have repeatedly ruled that the equitability of valuations trumps other factors in the consideration. A property owner can apply for an abatement based on inequity in valuation when comparing their property to similar properties in the municipality that were not adjusted because they were not recently sold. For that reason, the practice of chasing the sale and adjusting property assessment values to their recent sale prices is not practiced.
3. Disregarding drastic market fluctuations, typical differences between the sale price and the assessment are based on the accuracy of the property data or information. The commonly accepted practice of using recent sale information is to verify and update the information against the data used for calculating the valuation.
4. The Town's valuation is adjusted and updated annually based on market conditions, reflecting our consistent State-Certified Ratio of 100%. Our quality rating, which measures our assessment conformity, is well below the State's maximum allowable threshold. Because of our annual updates, there is no need to perform a town-wide revaluation, which is a considerable cost saving for work that we are already doing, which a revaluation company will be performing on our behalf during the revaluation.
5. Taking a conservative estimate of \$500,000 for contracting a revaluation to be performed in 2026, the revaluation cost alone will have a **\$0.20** mill rate impact on the fiscal year 2026 budget.
6. With accurate and updated cost tables and models in place, enable the assessor to click a few buttons to verify the property information and determine the accuracy of a property's current assessment.

Taxpayer's Concerns #2

Comparing Ward's assessments based on unit costs show an inequity in the tax valuation between Wards, causing an unfair tax burden for taxpayers in certain Wards.

1. I agree with the data supplied by Mr. Anzuini; I gave him the data, which he summarized and broke down to per acre and unit cost for each ward. Where he and I differ is in the interpretation and presentation of the data. He believes that the data shows a problematic inequity of the property assessment within the Town, resulting in an inequitable tax burden from one ward to another.
2. I, on the other hand, don't see the data identifying an assessment issue. Instead, it identifies the area where further focus should be placed in each Ward to maximize land use and potential additional tax revenue, resulting in a more balanced tax burden from one ward to another.
3. His data oversimplified the assessment valuation when calculating the per acre/unit cost.
 1. Land valuation calculation models have many more factors than just the acreage.
 2. Building valuation calculation models have many more factors than just the square footage.
 3. Extra Features / Out-buildings calculation models have different factors based on types.

The data is an oversimplification of the assessment calculation by only summarizing the final values and dividing it by the unit count to obtain a per-unit value. Applying this process will only result in a higher per-unit value for a Ward that has less of a unit count and lower for one with a higher unit count. A Ward's per acre value with more land and less developed will be lower than a smaller, more developed Ward.

This does not represent inequity in the valuation but instead identifies where each Ward can focus more on development to equalize the Ward's tax burden. The inequity is based on the current development level of each ward, not the assessment of the current existing properties within each ward.

[illegible]

Property Location Vision ID 742		30 MAIN STREET Account # 742		Map ID 11/ 130/ 0/ 0/ Bidg # 1		Bldg Name Sec # 1 of 1		Card # 1 of 1		State Use 9030 Print Date 12-05-2024 12:20:43	
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CONSTRUCTION DETAIL						CONSTRUCTION DETAIL (CONTINUED)					
Element	Cd	Description	Element	Cd	Description						
Style:	58	City/Town Hall									
Model	94	Commercial									
Grade	06	Good									
Stories:	1										
Occupancy											
Exterior Wall 1	20	Brick/Masonry									
Exterior Wall 2											
RooF Structure	03	Gable/Hip									
RooF Cover	03	Asph/F Gls/Cmp									
Interior Wall 1	05	Drywall/Sheet									
Interior Wall 2											
Interior Floor 1	12	Hardwood									
Interior Floor 2	14	Carpet									
Heating Fuel	02	Oil									
Heating Type	99	N/A									
AC Type	04	Unit/AC									
Bldg Use	3400	OFFICE BLD MDL-94									
Total Rooms											
Total Bedrms	99										
Total Baths	99										
Heat/AC	02	HEAT/AC SPLIT									
Frame Type	02	WOOD FRAME									
Baths/Plumbing	02	AVERAGE									
Ceiling/Wall	06	CEIL & WALLS									
Rooms/Ptns	02	AVERAGE									
Wall Height	10.00										
% Conn Wall											
1st Floor Use:	3400										

Floor plan diagram showing building layout with labels: BAS UBM, BAS CHL, STP 14, FOP H 13, and other room numbers.

OB - OUTBUILDING & YARD ITEMS(L) / XF - BUILDING EXTRA FEATURES(B)											
Code	Describe	Sub	Sub Ty	LB	Units	Unit Price	Yr Blt	Cond. Cd	% Gd	Grade Adj	Appr. V
SPR2	WET/C			B	6,088	2.20	1992		69	0.00	9,200
PAV	PAVING			B	10,00	2.50	2007		84	0.00	21,000

BUILDING SUB-AREA SUMMARY SECTION						
Code	Description	Living Area	Floor Area	Etf Area	Unit Cost	Undeprec Value
BAS	First Floor	6,088	6,088		123.70	753,055
CRL	Basement, Crawl Space	0	3,190		12.37	39,459
FOP	Porch, Open, Frame	0	80		37.11	2,969
STP	Stoop	0	84		11.78	990
UBM	Basement, Unfinished	0	2,898		24.76	71,743
Ttl Gross Liv / Lease Area		6,088	12,340			868,215

Photograph of the exterior of the City/Town Hall building, a two-story red brick structure with a gabled roof and a small tower.

A series of white, thin, overlapping geometric lines on a black background, forming a complex, abstract pattern on the left side of the slide.

THANK YOU