

THE REAL FACTS TO KNOW ABOUT ASSESSMENTS

Revaluation Projects, Equalization Rates and Values

Taxes are a very volatile subject. When emotions run high, it is easy to latch onto some information that may not actually be true, but that we wish was. New York State Real Property Tax Law designates the assessor as solely responsible for the property assessments. The position was created to remove political bias from the process.

The decision to conduct a town wide reassessment project is solely the Assessor's (with financial aid from the town board) and not an easy one to make. During a revaluation, one half to one third of the town's residents won't be happy. A revaluation project is a whole lot of work, responsibility, is costly, and can be challenging regarding public education because of how complex this issue is. However, this is the job of the Assessor and we make these decisions very carefully, considering many issues and knowing that creating fair and equitable property assessments is in the best interest of the **ENTIRE** town. The **ONLY** motivation is **FAIRNESS!**

Taxes are an evil necessity and no one enjoys paying them. However, if we are to provide services such as plowing, recreation activities, refuse collection, police protection, etc. it all costs money. Our goal is to make sure all property owners pay their share (no more, no less). According to the NYS constitution, that means property taxes are collected based on ad valorem..... meaning assessments (value).

Here are some corrections to common misunderstandings:

1. Revaluation projects are conducted to determine who pays what part of the total taxes. All properties do **NOT** appreciate at the same rate, which is why some go up a lot, some a little, some not at all, some go down a little and some go down a lot.

Reassessment projects are **NOT** to collect more taxes. Budgets determine the amount of money needed to be raised and if more money is needed, rates are increased. Check your previous tax bills to see that taxes usually increase year-to-year even when the assessment does not change. If a reval raises your assessment by less than the town average, your taxes will most likely decrease and if your assessment increase is more than the town average, your taxes may go up. This ensures that everyone is paying their fair share. It is so very important to remember, that if the majority of properties increase (even dramatically), the resulting taxes do not do the same. The amount of money needed by the county/town/village/schools is what will affect your tax bill. Some taxing jurisdictions do not even know what the final total assessment is before they begin their budget process. They determine how much money is needed and then once all assessments are final, the budgets are divided by the total taxable value (assessments

minus all exemptions) and a rate is determined. That rate is then applied to individual assessments and a tax bill is generated.

2. The equalization rate reflects the current total assessments in relation to the current total sales. It does **NOT** determine the assessment.

The state provides each town with an equalization rate. The rate is an average and as such, there could be zero properties in the town that have an assessment that is actually at the stated equalization rate. This rate is used to determine the town's share of the county/school taxes because both the county and schools cross town borders. Using an equalization rate will guarantee that a property that is worth \$200,000 (regardless of the assessment) will pay the same county tax as any other Erie County property worth \$200,000, no matter what town it is in. It will also guarantee that all properties in the same school district, worth \$200,000 (regardless of the assessment), will pay the same school tax. This is done by adjusting the tax rates to reflect the different equalization rates for each town. **If all towns were at 100% every year, no equalization rate would be needed.**

If a town does not conduct a revaluation and the state determines an equalization rate, this rate is applied to ALL properties in the town. This can be very inaccurate. A property that should not have seen an increase in value if a revaluation was performed is now subject to the equalization rate. For example, if a property assessment at full value in the previous year was \$200,000 and the next year no revaluation was done to maintain that 100%, the state may determine a value of 85%. This property was hold a market value of \$235,300 ($\$200,000 / .85$), when in fact it is only worth \$200,000 thereby paying too much in taxes. OR the reverse may be true if a property assessment of \$200,000 is now worth \$250,000. This property will not be paying enough.

3. Assessments should reflect what the property would roughly sell for (after taking the equalization rate into account).

If a town is at 100%, a house that sold for \$200,000 would be assessed at \$200,000. However, if the equalization rate is 85%, the assessment would be \$170,000 ($200,000 \times .85$). Assessments are **NOT** automatically raised/lowered to the sale price when a property sells. That is illegal per NYS Real Property Law. Assessments can be changed when the property physically changes or a town wide revaluation project is conducted.

4. Maintaining values at 100% of market value **benefits** property owners.

When the equalization rate is less than 100%, the exemption amounts for some exemptions are reduced accordingly. An example would be the STaR exemption. If a town is at 100%, the exempt amount for a Basic STaR is \$30,000. If the equalization rate drops to 85%, the exempt amount drops to \$25,500 (85% of \$30,000). Even if nothing else changes, this will increase your school tax. Another benefit of being at 100% is how much easier it is for property owners to see if their assessment is accurate. There are no complicated formulas to calculate.

5. Towns are **NOT** required to conduct revaluation projects.

The decision to conduct a revaluation project is left up to the individual towns. There are towns in Erie County that have very low equalization rates (Elma = 3.6%), which means it has been a very long time since the last revaluation project, if there was ever one done. As a result, the combined tax rate is \$507.81 (County = \$122.98) per thousand dollars of assessment. In the Town of Lancaster, the combined rate is \$24.70 (County = \$4.54) per thousand dollars of assessment. So, by doing the calculation, even though the assessments in Elma are so low (3.6% of value), they pay the same County and School taxes as a similar property in the Town of Lancaster. **HOWEVER**, in the Town of Lancaster, the taxes are distributed more fairly. The further away from 100% the equalization rate falls, the assessments become exponentially less fair.

6. There is usually a range that would be considered an accurate assessment. That is true for appraisals as well.

Because the price someone would pay for a home is very subjective, there is not just one correct value. If assessments are within 5% - 10% of the sale price, it is considered correct. Some considerations, such as the number of bedrooms and bathrooms are much easier to adjust for as compared to a wet backyard, or a busy street. Those items are much less quantitative. This is why we first create a tentative roll, so that property owners can bring certain items to our attention before a value becomes final.

7. Regardless of what the sale prices are, whether exceptionally high, the bottom has dropped out, OR you have to bid \$50,000 over asking price..... **THIS IS THE CURRENT MARKET that buyers and sellers have created!**

The town does not just conduct a revaluation project when the market is high. The equalization rate is what triggers the need for a revaluation. Luckily for the Town of Lancaster, we have not seen the devaluing of homes. No one wants their house to be worth less than what they paid. So, by default, it is the higher prices that result in lower equalization rates, which do result in the need for a revaluation.

8. Each property owner should play an active role in the assessment/tax process.

You do have a “say” in what you will pay. We appreciate any input you can provide regarding the inventory on your property. Size, condition, and amenities all come into play, so make sure what we have is correct. Also, it is important to educate yourself on the current housing market (even if you are NOT buying/selling). Be sure to follow instructions regarding exemption renewals and applications. Most importantly..... do NOT ignore any mailing that comes from the Assessor’s office. ANY time an assessment changes, by law, a notice must be sent to the property owner. This is your chance to review it and decide how accurate you feel it is.

9. Do **NOT** jump to conclusions or make assumptions.

It is natural to “panic” when we receive news we may not fully understand. As an example, I once added an extra 0 on an assessment making it \$1,000,000 instead of \$100,000. I mention this to show that sometimes something is just plain wrong. There is a system to correct such issues. A large increase in value could lead one to believe that they may no longer be able to afford the taxes. Take the time to call the office and see what the real situation is. There is no such thing as a dumb question regarding taxes. This is an important issue and each property owner should truly understand it. The more property owners know, the better it is for assessors.

10. Friends are great for parties and coming to your aid, but even the best of friends are probably not an expert when it comes to taxes and assessments.

Even though throughout NYS, the real property laws are the same, there are some issues that are adopted by a local law. What that means is that not every town offers the same exemptions, or has the same income limits or the same procedures. So, your friend may mean well, but you should always check with the Assessor’s office yourself. Most deadlines are consistent, but there are some exceptions.

If there is any other information you would like to see answered or explained, please send an email to rbaker@lancasterny.gov