



Department of  
Taxation and Finance

# Confirming the LOA as the RAR & the Equalization Rate

ORPTS Processes and Programs

# Residential assessment ratios (RAR)

- The RAR is a measure of the level of assessment for the residential class of property
- The RAR can be used by owners of residential property to grieve their assessment
- The law states that the RAR shall be equal to the level of assessment of residential property that is used in the calculation of the state equalization rate
- The law requires the establishment of the RAR at least 60 days prior to tentative roll date (typically by March 1)

# Initial residential market value ratios

- ORPTS will develop an initial residential market value ratio
- The process will be similar to what we have used for the past decade
- The residential market value ratios may be based on one or more of the following methods
  - Sales and/or CAMA ratio studies
  - Appraisal ratio study
  - Possibly the prior year ratio adjusted to the current year (factored by the trend and change-in-level)
  - Local reassessment project review

# Residential Ratio – Averaging Ratios

- If more than one valid ratio is available, the ratios are averaged
- Ratios are calculated by:
  - 2 ratios:  $2 / (1/\text{ratio \#1} + 1/\text{ratio \#2})$
  - 3 ratios:  $3 / (1/\text{ratio \#1} + 1/\text{ratio \#2} + 1/\text{ratio \#3})$
- The ratios are divided into 1 to yield the same relative proportions as the full values they represent, and will result in the same average ratio as if the actual full values were averaged.

# Process for establishing the RAR

- To establish the RAR, ORPTS will compare its initial residential market value ratio to the assessor's stated level of assessment (LOA)
  - If ORPTS' residential market value ratio is within 5% of the LOA:
    - The LOA will be established as the RAR
    - The LOA will be the residential market value ratio used to establish the equalization rate
    - This will likely change the overall market value ratio
  - If ORPTS' residential market value ratio is NOT within 5% of the LOA, or the LOA is not available:
    - ORPTS' residential market value ratio will be established as the RAR

# Considerations for Establishing the LOA as the RAR

- Assessors must submit their LOA (uniform percentage) to ORPTS “early”
  - ORPTS should have residential market value ratios available early enough to allow this
- The LOA is also compared to ORPTS overall ratio for verification as the equalization rate
  - ORPTS should have overall market value ratios available early enough to allow the assessor to consider the residential AND overall ratios in stating their LOA
    - Survey appraisal towns may be later

# RAR – Timeframe

- Market analysis for Major Type A must be completed and shared PRIOR to March 1
- June-August
  - Assessors encouraged to review sales and submit corrections by August 31
    - Subsequent corrections not used for FVM or RAR
- September
  - Corrections processed
- October
  - Market analysis begins

# RAR – Timeframe

- If an assessor wants us to use the 5% tolerance in the determination of the RAR, they need to provide ORPTS with their LOA at least one week prior to the deadline for establishing the RAR
  - For example – a municipality with a tentative roll date of May 1 needs an RAR by March 1 and will need to provide ORPTS with an LOA at least a week before March 1.



# Considerations for Establishing the LOA as the RAR and the Eq. Rate

- Compare the residential (MT A) ratio to the overall ratio
- If the two ratios are within 5% of each other
  - If the assessor wants the  $LOA = RAR = ER$ , state an LOA that is within 5% of both ratios
  - Or the assessor can state an LOA according to one of the choices below
- If the two ratios are not within 5% of each other, the LOA cannot be verified as both the RAR and the equalization rate.
  - If the assessor wants the  $LOA = ER$ , state an LOA that is within 5% of the overall ratio
  - If the assessor wants the  $LOA = RAR$ , state an LOA that is within 5% of the residential ratio

# Confirming the LOA as the Eq. rate

- In Early April:
  - If not provided prior to establishment of the RAR, regional staff attempt to obtain LOA intended to be stated by the assessors
  - Regional staff compare intended LOA with Final PDC ratio(s) using tolerances allowed in procedures
  - If stated LOA is not within the tolerance regional staff may contact the assessor and/or County Director to allow for a revised LOA prior to tentative roll production
  
- Late April/Early May:
  - Tentative Rolls submitted
  - ESS staff verifies the previously stated LOA

# The Process of Confirming the LOA

- For Non-Reassessment Munis:
  - Staff compares assessment roll totals to the prior year final roll
  - If the difference is  $< 5\%$ , all change is physical and ORPTS FVM estimate is adjusted
  - If the difference is  $> 5\%$ , staff attempts to identify how much is equalization
- For reassessment munis, Tentative rolls are analyzed as part of the overall verification process
- Muni's expecting a significant change-in-level should contact their CRM and file form RP-6110 with their Tentative roll or sooner

