GLOSSARY OF ASSESSING TERMS

Abatement: A notice on an approved form to the Board of Assessors that the taxpayer disagrees with the assessment on his/her real or personal property. This must be filed no later than the due date of the actual tax bill. *This is usually November 1st*

Abatement Process: The assessors have 90 days from the date the application was filed to act on an appeal. Filing an appeal does not put the tax payment on hold so payments should be made on a timely basis to protect further appeal rights to the state. The Massachusetts Appellate Tax Board (ATB) requires no interest be incurred on the bill. Appeals can be continued to the ATB within three months of the assessors' decisions.

Actual Tax Bills: The **actual** tax bill is mailed in late September and is due November 1.

Ad Valorem Tax: A tax based upon the value of the property. Assessed values, in Massachusetts, are based on "full and fair cash value", or 100% of the fair market value.

Arms-Length Sale: A sale between a willing buyer and a willing seller with no unusual circumstances involved in the sale.

Appraisal: An estimate or opinion of value. The resulting opinion of value derived from the appraisal may be informal and transmitted orally or it may be formal and presented in written form. Usually it is a written statement setting forth an opinion of the value of an adequately described property as of a specified date, supported by an analysis of relevant data.

Appellate Tax Board: A quasi-judicial state board for taxpayer appeals after the Board of Assessors has made a decision regarding an abatement application. Application must be made within three months after the date of the decision by the Assessors. Filing information is available at: Appellate Tax Board, 100 Cambridge Street, Boston, MA 02114. Phone number 617-727-3100. Web: www.Mass.gov/atb. A filing fee is required to file an appeal at this level.

Assessed Valuation: A dollar value assigned to a real estate parcel, or other property, by a government unit as the basis for levying taxes. In Massachusetts, assessed valuation is based on the amount a willing buyer would pay a willing seller on the open market (Full and Fair Cash Value).

Capitalization: A mathematical procedure for converting the net income that a property is capable of producing into an indication of its current value. *See income approach*.

Chapter 59 – Assessment of Local Taxes: Portion of the Massachusetts General Laws that defines how municipalities assess local taxes, defines the role and responsibilities of assessors, and methods for assessing property.

Classification (Real Property): Assessors are required to classify all real property according to use into one of four classes: Residential, Open Space, Commercial and Industrial. Having classified its real property, local officials are permitted to determine locally, within limits established by statute and the Commissioner of Revenue (DOR), what percentage of the tax burden is to be borne by each class of real property and by personal property owners.

CIP (Commercial, Industrial, Personal Property): A group of three property types used to describe the effect of multiple tax rates. A municipality can take a number of actions to shift the levy burden associated with a single tax rate from the Residential category to the CIP category.

Classification (Tax Rate): In accordance with Massachusetts General Laws, Chapter 40 (Powers and Duties of Cities and Towns (paragraph 56), the selectmen or city council vote annually at a required classification hearing on a tax rate factor. Based on the residential factor adopted, a community may set different tax rates for residential property and open space; and commercial, industrial, and personal property (CIP).

Cost Approach: A method used to estimate the market value of an existing property by calculating the current cost to rebuild it and deducting depreciation – also called Replacement Cost New Less Depreciation (RCNLD). Land is valued separately and added to the depreciated replacement cost.

CPA –Community Preservation Act: A surcharge on the actual bill of 1% to 3% and applies to all real property. Sherborn has not enacted the CPA Surcharge. For example only: $100,000 valued property and a surcharge rate of 1%. [(Assessed Value - $100,000) x Tax Rate x 1%]

Debt Exclusion: A temporary additional taxing capacity over the levy limit. A community can assess taxes in excess of its levy limit by successfully voting a debt exclusion. It is not a permanent increase. The increase levy is only for the period of time to pay for the debt service costs.

Disproportional Assessment: The claim that a taxpayer's property was assessed at a proportion of fair cash value greater than the average proportion at which other properties were assessed in the same city/town.

Excess Levy Capacity: This is an amount of tax that is allowed under the restrictions of Proposition 2 ½ but is not actually levied. (Levy limit minus actual levy).

Economic Rent: The rent that a property can be expected to bring in the open market as opposed to contract rent or the rent the property is actually realizing at a given time.

Effective Age: An age assigned to a structure based upon its condition as of the effective valuation date; it may be greater or lesser than the structure's actual age.

Equity: In reference to property taxes, a condition in which the tax load is distributed fairly and equitably.

EQV (Equalized Valuations): An estimate of the FFCV (Full and Fair Cash Value) of all property in the Commonwealth as of a certain taxable date. EQV's have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The

Commissioner of Revenue, in accordance with MGL Ch. 58 (General Provisions Relative to Taxation) paragraph 10C, is responsible for determining an equalized valuation for each city and town in the Commonwealth biannually.

Exemption: A tax relief provision under Massachusetts Law for certain qualifying taxpayers: elderly persons, blind persons, disabled veterans, surviving spouse or orphaned minor child, widow or orphaned minor child of a police officer or firefighter, and extreme hardship. MGL. Ch 59, Section 5.

Fee Appraisal: Completed by a licensed appraiser in exchange for payment for their services. They appraise a single piece of property at a time as of a certain date. *See Mass Appraisal.*

FFCV (Full and Fair Cash Value): Fair cash value has been defined by the Supreme Judicial Court as:

> "fair market value, which is the price an owner willing but not under compulsion to sell ought to receive from one willing but not under compulsion to buy. It means the highest price that a normal purchaser not under peculiar compulsion will pay at the time, and cannot exceed the sum that the owner after reasonable effort could obtain for his property. A valuation limited to what the property is worth to the purchaser is not market value. The fair cash value is the value the property would have on January first of any taxable year in the hands of any owner, including the present owner" (Boston Gas Co. v Assessors of Boston, 334 Mass. 549, 566 (1956).

Fiscal Year: Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. The designation of the fiscal year is that of the calendar year in which the fiscal year ends. For example: the 2009 fiscal year is July 1, 2008 to June 30, 2009 and is usually written as FY2009. Since 1976, the federal government has had a fiscal year that begins October 1 and ends September 30.

Grade: The classification of an improvement based upon certain construction specifications, and quality of materials and workmanship.

Improper Classification: The use of the property determines the class to which the property is assigned. An abatement may be warranted where there is an impropoer classification of use, or where property is used for several purposes and the percentage allocation of such use is in error.

Income Approach (Appraisal): A method of estimating the value of property by converting anticipated net income into an estimate of value. The income approach is used to value property that is normally bought and sold on the basis of its income producing capacity.

Income Property: A property primarily used to produce a monetary income (commercial buildings, apartments).

Industrial: Includes any property involved in manufacturing, processing or extraction. It includes utility property used for storage and general purposes.