



TOWN OF HUDSON

Office of the Assessor

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Assessment versus Market Value

Property assessments should be fairly representative of market value as of April 1st of a property value update/revaluation year (Hudson's last revaluation was as of April 1, 2007). Because residential sales are significantly impacted on emotional likes and dislikes of buyers (subjectivity), there is no one right number, but rather a range of numbers depending on the negotiations and motivations of the buyers and sellers involved in a transaction. Commonly accepted industry practices indicate 10% plus or minus is reasonable in value estimates, as multiple appraisers and/or assessors giving an opinion of market value of the same property will vary lowest to highest by as much as +/- 10%. It is an informed opinion of an imperfect real estate marketplace and those professional opinions do contain some element of subjectivity, as those informed opinions are reflective of the market from which comparables were drawn from.

Due to the recent decline in the real estate market, taxpayers, for the first time, in a long time, are typically seeing that their assessments are higher than what they could sell their property for (market value). This in and of itself does not invalidate the assessments or indicate they are wrong or unfair, when accounting for the total assessment to sales ratio.

Every year the State of New Hampshire, Department of Revenue Administration (DRA), calculates an equalization/assessment ratio. This ratio represents the difference between assessments and arms-length market transactions (sales).

The following hypothetical example can help you decide if your assessment is relatively fair:

I live in Anytown, NH. For as of April 1, 2011, the DRA published the median ratio for my town at 1.162% and the assessment on my home is \$300,000. Similar homes to mine are selling today (April 2011) for \$260,000 (+/-). It would appear that my property is inequitably assessed, but is it?

To determine the Town's indicated market value of my home, I must take the assessment of \$300,000 and divide it by the ratio of 1.162% which produces an indicated market value of \$ 258,176 as of April 1, 2011. This number is lower than the market data that indicates a value of \$260,000, it does provide a

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measurable level of confidence that the assessment is fair and equitable as it is well within 10%. If homes are selling at \$260,000 and yours is very similar and your equalized assessment (assessment divided by ratio) is within 10% (\$ 229,672 to \$280,710), then your assessment would appear reasonable. The concept that the 10% practice is accepted as reasonable is enshrined in the State of NH's Assessing Standard Board's recommended guidelines in revaluation years, market value is defined as between 90% and 110% of market value.

As long as most all properties are being assessed similarly, the assessments, even if they are higher than the current market value, are considered to be fair and equitable because most everyone is being treated the same. As such, to reduce all assessments to the current real estate market, to bring assessments back to 100%, would not necessarily shift (lower) tax burdens as the tax rate would have to increase to meet the same voter approved spending, the town and school budgets.

Assessments are arrived at as of a date certain (April 1st in New Hampshire communities) of a given year. However, the real estate market is constantly fluctuating the other 364 days of the year, making comparisons of assessments and sales very difficult for many taxpayers.

Here in Hudson, the 2011 ratio is **1.162%**, based on sales data thru October 1 2011. This the actual ratio as issued by the State of New Hampshire, Department of Revenue Administration (DRA).