

### Purpose & Definitions for Reappraisal:

The Town of Montgomery has begun the initial steps in starting a municipal-wide reappraisal of all real property. Every year, the State of Vermont Department of Taxes conducts an Equalization Study with every municipality.

The **Equalization Study's purpose** is: to assess how close the grand list assessed values compare to 100% of Fair Market Value – which is derived from the past three years property sales history. The Equalization Study relies upon two qualifying factors, CLA and COD. The current CLA for Montgomery is 55.46% & the COD is 24.96%. Bear in mind the last reappraisal was in 2014, prior to covid the Town would have been on track based on typical market sales and the 10-year recommendation to reappraise by 2024; the delays in town operations due to covid measures and the unpredictable changes to FMV sales seen throughout the State of Vermont caused a halt in this process statewide. After several legislative changes took place regarding the implementation of reappraisals and new requirements Montgomery is back on track to complete our town-wide reappraisal.

The **Common Level of Appraisal (CLA)** is a statistic that measures the general status of the valuations of property in a grand list. It is a measure of how close a municipality's local assessments are to 100% of Fair Market Value. The CLA is used to equalize education taxes statewide with the goal of having properties of equal value pay equal amounts of school taxes. A town's CLA has no effect on the amount of property taxes owed on the town/city portion of a property tax bill. In Vermont law, it is “the ratio-of the aggregate value of local education property tax Grand List to the aggregate value of the equalized education property tax Grand List.” (32 V.S.A. § 5401(3)). Historically, education tax rates were adjusted by a municipality's CLA from the Equalization study. Going forward, the new adjustment factor applied to education tax rates is the CLA divided by a single “statewide adjustment” - which is the average level of appraisal for all of Vermont. For example, if a municipality has a CLA of 60%, and the statewide adjustment is 75%, then the adjustment factor applied to the Municipality's education property tax rate will be  $0.60 / 0.75 = 0.80$  (or 80%). Staying as close to 100% is the target and we want to stay as close to that as possible for as long as possible.

As the market inevitably shifts, it becomes more important that we maintain equity than attempt to capture current Fair Market Value – hence the Coefficient of Dispersion measure as described by the following:

Equity between the valuation of property is tracked by the State of Vermont in a % statistic called the **Coefficient of Dispersion (COD)**. The COD tells us the equity of the valuations for all property in the Town. A COD below 10% is considered good, but as the number approaches 20% it can trigger a mandatory reappraisal order from the State of Vermont. For figures, the

COD figure could rise if properties at or below \$300,000 are consistently selling for less than the grand list assessment and, conversely, properties above \$600,000 are consistently selling for more than the grand list assessment. In this sequence a case can be made that properties assessed at \$300,000 or less may be overvalued while properties assessed at \$600,000 or more may be undervalued. This is just an example as the valuation threshold could encompass any home value. It should also not be assumed that all properties within these sections are subject to inequity issues with valuations. Again, this statistic is used to measure the disparity in equity of the Grand List based on recent valid sales data.