

## **A View on Views**

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I have read and listened over the past several months to the concerns and misleading information regarding views and something called the “View Tax” and with all emotion aside, here are the true facts:

**There is no new tax.** New Hampshire funds local government and public education in large part through the property tax system. The property tax system is based on an opinion of fair market value. For assessing purposes, values are estimated as of April 1st.

Market value, by simple definition, is the price at which a willing buyer and willing seller, both knowledgeable about real estate and under no undo duress, agree to transfer real estate from one to the other. In the not too distant past, market values were simply listed as land value and building value, but just as buyers and sellers have become more sophisticated and seek more detail about what they buy, taxpayers have also demanded more detailed information on how assessed values are developed and what features make up the total value.

So, assessors started looking at market sales the same way buyers and sellers did. Assessors started extracting the value of different contributory components of the property. Land was no longer simply listed as land and location, it became more detailed and itemized to include items like neighborhood, topography, waterfront, stream frontage, road frontage, privacy and views. Buildings detail was no longer just square feet of living space, but expanded to include number of rooms, number of bathrooms, bedrooms, style of house, story height, kitchen quality, type of heat, roof style and material.

Now, assessing property based upon market value hasn't changed. The law requires that assessments be based upon market value. However, how the assessed value is being reported on the property assessment cards has changed! Previously, the assessment was expressed simply as land value and building value. Now, the land is being displayed with more detail such as developed site, neighborhood, waterfront and view, while the building has also become more detailed to building material, number of rooms, style, quality, condition, etc. But the total value is still the total market value opinion based on the local sales data, as it has always been.

This change has come about as a direct result of the public's desire to understand the property value process better.

Unfortunately, instead of reading the individual value components as being allocated pieces that equal the whole value, the public is thinking “upside down”. They are interpreting the data as being in addition to the market value. The media hasn't helped.

A few outspoken people have led the public, with the help of the media, to believe that there is a new tax called the “View Tax” and that tax is represented by an added value, in addition to the full market value of the property. **That is simply not true.** View is a feature unique to location. It is part of what makes up the total market value, it is not and never has been in addition to market value.

Despite all the rhetoric and sensationalistic press, no one has said that their assessment wasn't fair market value or that view didn't affect market value. The plain truth is that they simply don't want to pay taxes on their correct property value, which is reflective of the influence of the view. Fair market value is the staple of our property tax system and it is the only fair approach.

Nothing in life is more subjective than an opinion of market value and that is not going to change, unless the buyers and sellers (you & I) start buying and selling property purely based on objective measures. That is, we no longer care about perceived quality, condition, location, type and depth of waterfront, or views (positive and/or negative). This is not likely to happen because a lot of buying and selling is emotional – likes and dislikes and personal feelings which are all subjective.

To maintain fair and equitable assessments, based on market value, assessors must follow market trends and

extract value for each component of a sale and then apply that value to all the other properties in the municipality with similar components. This is what is required under the law. It is called maintaining equitable values – stated another way: treating everyone in the same way. It is not easy. That is why assessors must be certified (or licensed) by the Department of Revenue and have specialized training, along with a minimum of 4 years of experience.

Assessors follow the subjective behavior of buyers and sellers in the market, they don't create the market or sales data. With that info, using established analytical tools, they identify the contributory value of individual property features that when added up equal the market value (sale price).

Equipped with this information, they then assign the market-based feature values to all similar properties in the community, by developing a value model that systematically calculates a value based upon the presence or absence of specific property features. Using this approach, all properties are consistently and equitably assessed.

This does not mean that errors will not occur. As with all other professions, assessors are human and humans do make mistakes, occasionally. NH has a good process for correcting these when they occur. It is the local abatement process and if not there, the Board of Tax & Land Appeals or Superior Court process.