

# Hartland Board of Listers

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## The CLA, the COD and Their Roles

Throughout the last several months there has been much discussion about our town's municipal and education budgets, the state's projected education tax rate, our grand list's assessment level, and the potential impact on property tax bills. We hear the concern from our fellow neighbors and share their worries. The CLA at times has been front and center in these conversations and to a much lesser extent so has the COD. To help guide our town and taxpayers through this challenging situation, it is important that we all have the same understanding about what these tools are, what they show us, how they are applied, and how they might help us decide what options are available to us as we navigate our way forward.

**CLA - Common Level of Appraisal:** A tool comparing the sale prices to the assessed values. The measurement of how close all of Hartland's assessed property values are to their fair market value. To calculate, take the assessed value of properties sold divided by their sale price, for all the transactions in town for the last 3 years (2021-2023). Hartland's assessed values are from the 2019 reappraisal, and only sales that were verified as valid, arms-length transactions are used. The result shows the level where Hartland's grand list is assessed at, relative to 100% of fair market value. Hartland's 2023 CLA is 69.0%. That means the grand list is assessed at 31% below fair market value. The CLA is driven by the market and what property in Hartland has sold for over the last 3 years. Having a CLA over 115% or under 85% are clear indicators that a town needs to conduct a reappraisal. It is important to note that the State does not create the CLA but does calculate it using standard assessment practices that follow USPAP<sup>1</sup> and IAAO<sup>2</sup> practices.

As we know, the education fund is created from the pooling of property taxes from all towns. As such, it is important that each town pays its fair share, which is only possible when their property assessments are at 100% of fair market value. One way to achieve this is by conducting a reappraisal. Due to a lack of resources (money, labor, and time) it is simply not currently possible for towns to do a reappraisal every year. As an alternative the CLA can be used to "equalize" towns to 100% of fair market value. The State applies the town's CLA to the base education tax rate to achieve this equalization. With that CLA applied, the resulting collected property taxes are the same as if the town was assessed at 100% of fair market value.

USPAP<sup>1</sup> : Uniform Standard of Professional Appraisal Practices is the recognized ethical and performance standards for the appraisal profession in the United States adopted by Congress in 1989.

IAAO<sup>2</sup> : International Association of Assessing Officers is the professional membership organization of government assessment officials and others interested in the administration of the property tax.

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**COD = Coefficient of Dispersion:** This is how appraisal uniformity for all properties on the Grand List is measured. This tool shows whether the properties in town are appraised at the same percentage level of fair market value. To determine the COD, the sales ratio<sup>3</sup> is calculated for each individual property sold<sup>4</sup> in the last 3 years. The median sale ratio is found and then each individual sale ratio is subtracted from that median to find the difference. The average of those differences is the Coefficient of Dispersion. It is nearly impossible to get a COD of zero due to the fluctuations in the real estate market and because properties are constantly being changed or improved.

A COD of 10 percent or less is considered excellent and indicates that the level of assessment is quite similar across all properties. This is primarily seen and expected in towns with mostly newer construction, or in predominately urban/suburban towns with similar property types, or in rural towns that are homogenous.

COD numbers between 10-20 percent are typical and acceptable for a rural town like Hartland where property types vary greatly, and most structures are older.

When the COD is over 20 percent for any town, it shows significant variation and wide disparity between the assessment levels of the properties in town. A high COD indicates some properties are assessed at a higher percentage of fair market value and some properties are assessed at a lower percentage of fair market value. Unfortunately, Hartland's COD is currently 26.30%, meaning that many individual property assessments are falling either above or below the town's average assessment to sales ratio. If the COD increases, this disparity of assessment levels between the individual properties will also increase. This high COD is of much more concern to the Listers than the low CLA as it reveals inequity and growing unfairness with the assessment levels between properties in town. The result is some taxpayers are paying more than their fair share of taxes, while other taxpayers are paying less than their fair share of taxes.

Sale ratio<sup>3</sup>: Calculated by taking the assessed value of an individual property and dividing it by its sale price. It measures just that single property's assessed value compared to what it sold for at the time of that sale. The CLA is different; all the town's valid property sales during a 3-year period are being compared to their assessed values to determine the overall level of assessment for the entire town.

Property sold<sup>4</sup>: Verified valid, arms-length sales; the same sales as used for calculating the CLA.

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## What is the impact of the CLA on tax bills?

Since the state goal is to have property be taxed at 100% of fair market value each year, the CLA is applied to the tax rate to make that happen. The CLA only changes the tax rate when the assessed property values are higher or lower than 100% of fair market value. This essentially makes the amount of the tax bill the same as it would be if the assessed property value was “leveled up” to fair market value (see table below). Currently the only way the town can “level up” its assessed property values is by conducting a reappraisal.

How the CLA Equalizes the Tax Bill		Listers 4/10/24	
<b>Current Situation</b>	<b>CLA = 0.69</b>		
	<b>Ed. Tax Rate before CLA is applied = 1.62 per \$100</b>		
	<b>Current Assessed Taxable Value</b>	<b>\$300,000</b>	
	<b>Grand List Value</b>	<b>\$3,000</b>	
	<b>CLA = 69%</b> <b><math>\\$1.62/0.69 = 2.35</math> per \$100</b>		
	<b>Grand List Value X Tax Rate</b>	<b><math>\\$3000 \times 2.35</math></b>	<b>\$7,050</b>
<b>After Reappraisal</b>	<b>CLA = 100% (Assessment is fair market value)</b>		
	<b>Ed. Tax Rate before CLA = 1.62 per \$100</b>		
	<b>Reappraised Taxable Value</b>	<b>\$434,800</b>	
	<b>Grand List Value</b>	<b>\$4,348</b>	
	<b>CLA = 100%</b> <b><math>\\$1.62/1 = 1.62</math> per \$100 (No change in tax rate)</b>		
	<b>Grand List Value X Tax Rate</b>	<b><math>\\$4348 \times 1.62</math></b>	<b>\$7,044</b>