

Current Use Audits 2018

Audit Findings for Panton, Sutton and Waitsfield (As required by 32 V.S.A. § 3760a *Act 57 of 2015*)

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Overview

The Director of Property Valuation and Review (PVR) must annually conduct an audit of three towns with lands enrolled in the Use Value Appraisal Program, referred to as the Current Use Program, to ensure that parcels with a use value appraisal are appraised by the local assessing officials consistent with the appraisals for non-enrolled parcels (32 V.S.A. § 3760a). The statute also provides advice on criteria for selecting towns to audit, direction on the methodology, and what actions if any to take as a result of findings.

The Towns of **Panton**, **Sutton**, and **Waitsfield** were selected by PVR for audits in 2018. In the following sections, the audit selection criteria, process, findings, and actions are discussed for each town.

In summary, the audits found:

The Town of **Panton** required minor corrections on three parcels, regarding farm building enrollment, ineligible forestland, and building site exclusion. PVR staff found the town compliant with our methodology and the values were reasonable and supported.

The Town of **Sutton** required no action. PVR staff found the town compliant with our methodology and the values were reasonable and supported.

The Town of **Waitsfield** required three actions. PVR staff has instructed the Listers/Assessor to adjust and reduce the value of one vacant parcel and to correct the acreage and valuation on a parcel that straddles the town line. In addition, a solar array was identified on a Current Use parcel but was not valued on the grand list (this has been corrected). The existence of the solar array did not affect Current Use enrollment.

Panton

The Town of Panton was selected for audit based on the following statutory criteria, as well as ensuring statewide sampling of size and geographic region.

- (2) the fair market value of enrolled land versus unenrolled land in the same town;*
- (3) the fair market value of enrolled farm buildings in each town; and*
- (4) the fair market value of enrolled farm buildings in relation to the fair market value of the associated land.*

Panton was reappraised in 2012 using the MicroSolve Computer Assisted Mass Appraisal (CAMA) system. At the time of the audit, Panton had 319 total parcels, with 39 properties enrolled in the Current Use program worth a total of \$9.5 million in exempted value.

A representative sample of property enrolled in the program was chosen for a desk audit to gauge the valuation methodology as well as the allocation methodology utilized by the town.

The following records were reviewed:

Panton Grand List, land schedule, cost tables, and Current Use enrollees' property records.

Procedure

In March 2018, the Department's PVR District Advisor team began an audit of the Town of Panton's Current Use parcels. The team consisted of District Advisors Cy Bailey, Doug Lay, and Panton Assessor Lisa Truchon. The process began with a transfer of the Panton Grand List, land schedule, cost tables, and Current Use enrollee's property records to PVR. This was followed up with field work, including on-site exterior inspections of 15 enrolled properties and a corresponding number of comparable properties.

PVR staff members then examined each enrolled parcel record for accuracy, completion, and adherence to the Current Use assessment process. This included looking closely at the land grading and the factors that went into those figures, as well as recalculating the values using the MicroSolve CAMA program. Values and any changes to value for both the enrolled and excluded acreage were recorded and analyzed.

Of the 15 enrolled parcels, none reflected differences where the new value was 10% less than the town's value, requiring substitution by the Director per 32 V.S.A. § 3760(d). Staff found that the Panton's town assessor has been following approved guidance for allocation and that properties were valued in a manner consistent with fair market value for the town and area. While PVR staff found several instances in which the assessor should review procedures for Current Use property assessment, generally the values were consistent. In one instance, ortho-photo review showed a portion of a parcel that was ineligible for enrollment. Current Use staff worked with the landowner to remove that portion of the parcel.

Sutton

The Town of Sutton was selected for audit based on the following statutory criteria, as well as ensuring statewide sampling of size and geographic region. The audit focused on methodology and valuation, and attention was focused on farm building valuation.

The fair market value of enrolled farm buildings in relation to the fair market value of the associated land.

Sutton was last reappraised in 2009 by the Town's Listers using the MicroSolve appraisal system. The town has 592 parcels with 57 parcels enrolled in Current Use, with a total current use exemption of \$10.1M.

A representative sample of property enrolled in the program was chosen for a desk audit to gauge the valuation methodology as well as the allocation methodology utilized by the town.

The following records were reviewed:

Sutton Grand List, land schedule, cost tables, and Current Use enrollees' property records.

Procedure

In June 2018, the Department's PVR District Advisor team began the audit of the Town of Sutton's Current Use parcels. The team consisted of District Advisors Cy Bailey, Doug Lay and two of the Sutton Listers, Mary Gray and Paul Lane. The process began with a transfer of the

Sutton Grand List, land schedule, cost tables, and Current Use enrollee's property records to PVR. This was followed up with one day of field work and a follow up visit a month later which included on-site exterior inspections of 15 enrolled properties and a corresponding number of comparable properties.

PVR staff members then examined each enrolled parcel record for accuracy, completion, and adherence to the Current Use assessment process. This included looking closely at the land grading and the factors that went into those determinations, as well as recalculating the value using the MicroSolve CAMA program. Values and any changes to value for both the enrolled and excluded acreage were recorded and analyzed.

Conclusion

Of the 15 enrolled parcels, none reflected differences where the new value was 10% less than the town's value, which would require substitution by the Director per 32 V.S.A. § 3760(d). We found that the Sutton Listers has been following approved guidance for allocation and that the properties were valued in a manner consistent with fair market value for the town and area. PVR staff found several instances in which the assessor should review procedures; however, generally the values were consistent.

Waitsfield

The Town of Waitsfield was selected for audit based on the following statutory criteria, as well as ensuring statewide sampling of size and geographic region.

An increase in farm building value for parcels already enrolled in Current Use.

According to the 2017 Current Use enrollment, Waitsfield had 1,080 parcels with 71 parcels enrolled in Current Use, worth a total of \$22.9M in exempted value. The last reappraisal in Waitsfield was completed in 2006.

Procedure

In April 2018, the Department's PVR District Advisor team began the audit of the Town of Waitsfield's Current Use parcels. The team consisted of District Advisors Cy Bailey, Doug Lay, and Waitsfield Assessor Mary Jane Potter. The process began with a transfer of the Waitsfield Grand List, land schedule, cost tables, and Current Use enrollee's property records to PVR. This was followed up with two days of field work, including on-site exterior inspections of 15 enrolled properties and a corresponding number of comparable properties.

PVR staff members then examined each enrolled parcel record for accuracy, completion, and adherence to the Current Use assessment process. This included looking closely at the land grading and the factors that went into those determinations, as well as recalculating the value using the MicroSolve CAMA program. Values and any changes to value for both the enrolled and excluded acreage were recorded and analyzed.

The following records were reviewed:

Waitsfield Grand List, land schedule, cost tables, and Current Use enrollees' property records.

Of the 15 enrolled parcels, none reflected differences where the new value was 10% less than the town's value, which would require substitution by the Director per 32 V.S.A. § 3760(d). Value changes were required on two properties due to changes in acreage and solar valuation. Overall, the Waitsfield town assessor has been following approved guidance for allocation and the properties were valued in a manner consistent with fair market value for the town and area.

Statutory Citation and Selection Criteria

32 V.S.A. § 3760a. VALUATION AUDITS

- (a) Annually, the Director shall conduct an audit of three towns with enrolled land to ensure that parcels with a use value appraisal are appraised by the local assessing officials consistent with the appraisals for non-enrolled parcels.*
- (b) In determining which towns to select for an audit, the Director shall consider factors that demonstrate a deviation from consistent valuations, including the following:*
 - (1) the fair market value per acre of enrolled land in each town;*
 - (2) the fair market value of enrolled land versus unenrolled land in the same town;*
 - (3) the fair market value of enrolled farm buildings in each town; and*
 - (4) the fair market value of enrolled farm buildings in relation to the fair market value of the associated land.*
- (c) For each town selected for an audit, the Director shall:*
 - (1) conduct an independent appraisal of enrolled parcels and enrolled farm buildings in that town;*
 - (2) compare the appraisals reached by the Director for each enrolled parcel with the appraisal reached by the local assessing officials; and*
 - (3) review the land schedule and appraisal model applied by the town.*
- (d) If, as a result of an audit, the Director determines that an appraisal reached by the Director differs from the appraisal reached by the local assessing officials by more than 10 percent, then the Director shall substitute his or her appraisal of fair market value for the appraisal reached by the local assessing officials. A substitution of a fair market appraisal under this subsection shall be treated as a substitution by the Director under subsection 3760(b) of this title.*

Methodology

Throughout the year, information is gathered to help inform the selection of three towns by the Director of PVR. The criteria includes factors 1-4 in the legislative language and several other criteria, developed with stakeholders, that are strongly related. The additional criteria emerged from numerous conversations within the department and with others familiar with the Use Value Appraisal (Current Use) program.

The data was assembled and presented with ease of understanding in mind. For each criterion the department looked at, we have provided a description on the following pages of how the analysis was done and what variables were used.

Criteria (from statute):

(1) the fair market value per acre of enrolled land in each town;

For every town in Vermont, divide the total amount of fair market value of enrolled land in the Current Use database by the total number of enrolled acres.

(2) the fair market value of enrolled land versus unenrolled land in the same town;

a) For every town, select current use properties over 25 acres where the entire property is enrolled and find mean fair market value per acre as was done in #1. From the grand list, select properties that are over 25 acres or more and there is no value from improvements, house-site, inventory or equipment and are not in Current Use. Assume each property's total value is from land only. Compute mean per acre value by dividing total value by number of acres. Divide the Current Use mean per acre by Grand List per acre value to get a ratio.

(2a Cleaning Process for GL properties):

1. Reject any properties that have something besides land in the description field.
2. Reject any property that is described as a swamp.
3. Reject properties with unusually high per acre values.

b) Similar to part a, but only looking at land that is attached to a house-site. For every town, select Current Use properties over 27 total acres where there appears to be a house-site (there are two acres or more of excluded land and a listed dwelling value). Only use properties with 25 or more acres enrolled in the program. Find the mean value of the enrolled acreage in each town by dividing the total value of the enrolled land in the town by the total acres in the program. From the grand list, only use properties greater than 27 acres, that are not in Current Use, and have filed a homestead declaration (because those house-site values are accurate). Assume total value minus house-site value and any other listed non-land value is the value of the attached land. Find per acre value of that land for each town. Divide mean Current Use per acre value by grand list per acre value to get a ratio.

(3) the fair market value of enrolled farm buildings in each town; and

For every town, divide the total value of enrolled farm buildings in the town by the total number of enrolled farm buildings to get a mean value per building.

(4) the fair market value of enrolled farm buildings in relation to the fair market value of the associated land.

Divide the mean enrolled farm building value (from #3) by the mean fair market value of an enrolled acre in the town (from #1) to get a ratio.

Related Criteria (from discussion with stakeholders):

(5) Look at parcels entering Current Use and see if their total listed value increased from what it was on the grand list in the year before entry.

Only use parcels where total size is the same from both years. Examine parcels that entered in (a) reappraisal years and (b) non-reappraisal years.

(6) Look at parcels that are already in Current Use and see if their land value increased from what it was the year before.

Only use parcels where enrolled acreage amount is the same from both years. Examine parcels in (a) reappraisal years and (b) non-reappraisal years.

(7) Look at parcels that are already in Current Use and see if their farm building value increases from what it was the year before.

Only use parcels where number of farm buildings is the same from both years. Examine parcels in (a) reappraisal years and (b) non-reappraisal years

(8) Compare the percent of current use parcels that increase in value in an appraisal year to the percent of non-enrolled parcels that increase.

Only use parcels that have not increased in size. Compare Current Use List value in appraisal year to that of previous year. Find percent of Current Use parcels in town that increased. Do same for non-Current Use parcels. Calculate difference.

How PVR Chose the Three Towns

This year's audit of three towns' Current Use parcels is the fourth of PVR's annual audits. The criteria used each year informs the initial selection, but PVR staff often find they reveal something different when each parcel is looked at individually.

After performing the audit, it could reveal that the criteria we focused on were insufficient, that the analysis should have been done differently, or that a statistic for some town was the result of unusual circumstances for the enrolled parcels or their valuation history. For those reasons, it is in the best interest of the State and the appraisers who will be doing the audit work to limit the selection of towns to those that have 50 parcels in Current Use or fewer.

PVR also recognizes that assessment practices differ in different parts of the state and in different types of towns. Those differences may be the result of town history, the background of municipal personnel, or even town geography. At the same time, every town needs to adhere to the same rules for valuing Current Use property because the cost of the program is shared equally across all taxpayers in all towns. For that reason PVR selects three towns from separate regions of the state and with different characteristics. By following that principle this year and in subsequent years, PVR is able to assemble data that informs the shape of the program and the types (and direction) of outreach that need to happen in the future.

Current Use Parcel Selection Criteria

To begin, PVR staff work with the local assessing officials to select a sampling of Current Use Properties (10% or 15 parcels, whichever is greater). They review all Current Use cost sheets and select a variety of parcels which meet one of the following attributes: all forestland (no excluded land); all agricultural land (no excluded land); more than 2 acres excluded; and farm buildings enrolled.

They then compare the grade adjustments and price per acre of forestland enrolled with neighboring forest land that is unenrolled. They compare the grade adjustment and price per acre of agricultural land that is enrolled vs unenrolled. They review the excluded land values and procedures; reconcile the value of outbuildings in current use with unenrolled parcels, and check the accuracy of the market value estimates. Finally, they reconcile the land schedule and grade adjustments based on a review of the sales at the time of reappraisal.

Looking Ahead: General Conclusion and Recommendations

Generally speaking, both PVR and the towns we have worked with have found this to be a helpful exercise. This annual audit has brought to light training and expertise issues, which are addressed and established with the town, creating more accurate results and understanding going forward. Current Use enrollment and assessment are complex concepts, and further education and review are never wasted.

In 2019, we will continue our analysis and audit, as well as utilize recently added expertise in the department to take a deeper look at the data statewide to see if we notice any other trends or areas that require further exploration related to Current Use valuation. We would also like to explore other possible audit avenues related to eligibility for enrollment.

For questions about this report, contact the Division of Property Valuation and Review at the Vermont Department of Taxes, (802) 828-5860, tax.pvr@vermont.gov or www.tax.vermont.gov.

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