

## **Real Estate – Personal Property**

### **REAL ESTATE & PERSONAL PROPERTY TAX**

#### **REAL AND PERSONAL PROPERTY REVALUATION FAIR CASH VALUE**

#### **REAL AND PERSONAL PROPERTY**

There is a physical distinction to be made to determine whether property is **Real** or **Personal**.

**Real Estate** is the physical land and appurtenances including structures affixed thereto in addition to the interests, benefits and rights inherent in the ownership of physical real property known as the bundle of rights.

**Personal Property** is generally those items not permanently affixed to real estate. Personal property is movable and can be removed without serious damage either to the real estate or to the item being removed. The three categories of taxable personal properties are:

1. Business and professional furnishings.
2. Household furnishings, in property **other than the principal residence (second homes)**.
3. Personal property of public utilities.

#### **REVALUATION**

Assessors in every city and town are responsible for developing a Revaluation program to completely analyze and revalue all property within its borders every year. Revaluation annually, is required under Massachusetts law and is regulated by the Massachusetts Department of Revenue's Bureau of Local Assessment. The rationale for revaluation is to always maintain property at fair market or fair cash value to ensure equity for all classes of property.

#### **FAIR CASH VALUE**

The Assessors are required to assess all property at its "full and fair cash value." A term, which could also be described as "market value" or "fair market value". Massachusetts General Laws define full and fair cash value as the price an owner willing, but not under compulsion, to sell ought to receive from a buyer willing but not under compulsion to buy.

The definition of market value as noted by the International Association of Assessing Officers (IAAO) is as follows: "Market value is the most probable price expressed in

terms of money that a property would bring if exposed for sale in the open market in an arm's length transaction between a willing seller and a willing buyer both of whom are knowledgeable concerning all the uses to which the property is adapted and for which it is capable of being used. An "arm's length transaction" would be a sale between two unrelated parties both seeking to maximize their position from the transaction.

To determine fair market value, actual sales are used. The (minimum amount of) sales considered are those, which occurred in the 12 months prior to the new January 1<sup>st</sup> assessment date and up to six months after the January 1<sup>st</sup> date, trended back to January 1<sup>st</sup>. Only arms length sales are considered bearing in mind that all buyers and sellers are not "knowledgeable" and that the market is imperfect in that regard. For this reason, one individual sale is not used to determine "market value". In reviewing and researching at least 18 months of sales, the Assessor is able to estimate the approximate price a willing buyer might pay for a property on January 1<sup>st</sup>.