

Frequently asked questions – Equalization Ratio

1. What is Equalization?

Equalization is the process by which the Department of Revenue Administration makes adjustments to each municipality's locally assessed values to calculate the estimated 100% value of the municipality.

2. What is a Ratio?

A ratio is the assessment divided by the sale price. The median, mean and weighted mean ratios are calculated using all the individual sale ratios in a Town's sampling.

3. What is the Median Ratio?

The median ratio is the middle ratio when a set of ratios is ranked in order of magnitude. The median is the generally preferred measure of central tendency for assessment equity, monitoring appraisal performance and determining reappraisal priorities or evaluating the need for a reappraisal. The median ratio is derived by dividing each assessment of a sale by the sales price of that sale.

For example:

One ratio might be \$100,000 assessed value/\$90,000 sale price = 1.11. Six (6) other sales ratios in the Town might be: 1.20, 1.14, 1.01, .99, .93, and .85. If you list these seven (7) ratios out, the middle ratio is 1.01 or 101%. This middle ratio is the indicated level of assessment (median ratio). The 101% indicates that the Town is over market value by 1%.

4. What is the Weighted Mean Ratio?

The weighted mean ratio is used by the Department of Revenue 's Equalization Bureau for purposes of apportioning total (townwide) assessed values between communities. The weighted mean ratio is derived by dividing the total assessed value of a community's sales by the total sales prices of those sales. It introduces into the equation the relative wealth (or value) in a given town which is why it is recognized as being the best ratio for equalization purposes.

For example:

The total assessed value of seven (7) sales (equaling \$1,400,000) is divided by the total sales amount of those sales (equaling \$1,200,000) = 1.17. When the value of the community is equalized – value (\$100,000,000) at 117% = \$85,470,085.

5. What is the Mean Ratio?

The mean ratio is the average ratio or the sum of the ratios divided by the number of ratios.

For example:

If you list seven (7) sales ratios in the Town: 1.20, 1.14, 1.11, 1.01, .99, .93, and .85. Then add them up and divide by 7 = 1.03 as the mean ratio. The 103% indicates that the Town is over market value by 3%.

6. What is the Equalization Year?

The Equalization year means October 1st of the prior tax year to September 30th of the current tax year in accordance with RSA 21-J:9-a.

7. Who reviews the ratio study and determines the Town's actual ratio?

The Town reviews the Equalization year's sales and submits the information to the Department of Revenue Administration's Equalization Bureau. The Bureau then re-reviews the submission and sets each of the three ratios indicated above.