

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

REPORT OF

Recess Committee

88th LEGISLATURE

ON

Tax Equalization



Transmitted to the 89th Legislature by the Governor, referred to  
Committee on Taxation

LAWS OF MAINE

1937

CHAPTER 148

**RESOLVE, Creating a Recess Committee on Tax Equalization.**

**Recess Committee on tax equalization study, created. Resolved:** That there be, and hereby is, created a legislative recess committee to consist of 1 member of the senate and 2 members of the house of representatives to be appointed by the governor with the advice and consent of the council, which committee shall be known as the "Committee on Tax Equalization." Said committee shall meet as soon as convenient after appointment and organize by electing a chairman and secretary.

Said committee shall investigate and consider the necessity and desirability of legislation designed to enable the state tax assessor to establish equalization of state real estate valuations.

Said committee shall consider and study similar laws existing in other states, review the laws of this state pertaining to real estate assessments and valuations and report its findings and recommendations to the governor for transmittal to the clerk of the house of the 89th legislature.

Members of said committee shall receive their actual expenses only, which may be incurred in the discharge of their duties as members thereof, said expenses to be approved by the governor and council, but such expenses shall not exceed, however, the sum of \$200.

Approved April 24, 1937

Augusta, Maine,  
February 21, 1939

Gov. Lewis O. Barrows  
State House  
Augusta, Maine

Dear Sir:

In accordance with the provisions of Chapter 148 of the Laws of 1937, we, the Recess Committee on Tax Equalization, beg to report that we have studied assessment practices in Maine, and the facilities of the Board of Equalization for equalizing real estate valuations; also the experiences of and progress made by other states in the same field. We beg leave to submit herewith the results of our study with recommendations as to methods of improving both assessment practices and the equalization of real estate valuations in Maine.

Sincerely yours,

JOHN F. BLANCHARD, Chairman  
ALTON T. MAXIM, Secretary  
GEO. P. FINDLEN

**What is Tax Equalization?** At the beginning of any discussion it is desirable, in the interest of exactness, to define the subject under consideration so that there shall be no misunderstanding as to the scope of the inquiry, or as to the meaning of terms used. It may be useful, therefore, to designate just what is meant by "tax equalization" as it is used in this report.

Chapter 148 of the Laws of 1937 authorizes the Recess Committee on Tax Equalization to "investigate and consider the necessity and desirability of legislation designed to enable the state tax assessor to establish equalization of state real estate valuations" only. In other words, Chapter 148 recognizes that the problem of equalizing valuations under the general property tax is a problem essentially pertaining to real estate as distinguished from personalty. The latter has therefore been excluded from the study of your committee. Next the question arose as to whether original real estate valuations, as made by the town assessors, should be made a part of our inquiry. Although the Act does not specifically mention this phase of the matter, it was found that the equalization of state real estate valuations is so bound up with the original assessing process that in practice it is impossible to consider the one apart from the other. It is axiomatic that the need for state tax equalization varies inversely as the correctness of original assessments. Both phases of the matter have therefore been considered in our study. As used in this inquiry, therefore, tax equalization may be defined as that process by which the Board of Equalization, for the purpose of equalizing the state and county taxes among the organized towns and unorganized townships, in the manner provided by law, adds to or subtracts from the total valuation reported by the assessors of each of such towns and townships, such a sum as shall bring it to its just value.

**The Legal Requirements for the Equalization of Valuations.** To show the legal basis for the equalization of assessed valuations, it is necessary to review briefly the constitutional and statutory requirements as to the classification and assessment of property for the purpose of taxation. Section 8 of Article 36 of the State Constitution reads as follows: "All taxes upon real and personal estate shall be apportioned and assessed equally according to the just value thereof; but the legislature shall have power to levy a tax upon intangible personal property at such rate as it deems wise and equitable, without regard to the rate applied to other classes of property." From this it is clear that the idea of equality of assessment inheres in the organic law of the state, it being conditioned only by the realization of the impracticality of applying the general property tax rate to intangible personal property,—an idea which curiously enough has never been given

statutory expression in special rates fixed by the legislature for this class of property.

Chapter 216 of the Laws of 1931 created a State Board of Equalization, the function of which is outlined as follows: "There shall be established a board of equalization whose duty it shall be to equalize the state and county taxes among the several towns and unorganized townships in the manner provided by law. This board shall consist of the State Tax Assessor as chairman and two associate members, one of whom shall be of the minority party, not otherwise connected with the state government, or any local government thereof. The associate members shall be persons known to possess knowledge of and training in the valuation of property."

That the process of equalization is not confined to the State Board of Equalization, but is an essential function of the State Tax Assessor, is shown by the following extract from Section 5, Chapter 12, of the Revised Statutes: "The board (now the state tax assessor) shall have and exercise general supervision over the administration of the assessment and taxation laws of the state, and over local assessors and all other assessing officers in the performance of their duties, to the end that all property shall be assessed at the just value thereof in compliance with the laws of the state."

**Inadequacy of Present Machinery for Equalization.** In spite of the foregoing constitutional and statutory requirements for the equalization of assessments, the machinery set up by law for obtaining the desired results is woefully inadequate, as we shall proceed to show. Sections 5, 6 and 10 of Chapter 12, Revised Statutes, provide that the general supervision required of the State Tax Assessor shall be exercised in the following ways:

1. He shall visit officially every county in the state at least once each year to hold sessions of inquiry into the methods of assessment and taxation, and to give necessary advice and instruction to local assessors as to their duties, "and to secure information to enable them to perform their duties as herein provided." Attendance of local assessors at such meetings is compulsory. They are required to bring with them the town valuation books, and to answer such questions as to the valuation of the property in their towns as the State Tax Assessor may ask.

2. Should such local officials fail to appear, the State Tax Assessor may later examine the books of such town, and secure such additional evidence as to the valuation of the property of the town as he may desire, and charge the expense thereof to the town. Should town assessors fail to transmit to the State Tax Assessor their assessment lists within 10 days after notice, he may record the valuation of such town as he may deem just and equitable.

3. He shall investigate on complaint, or otherwise, all cases of conceal-

ment, undervaluation or failure to assess property. He may require re-assessment of any or all real or personal property in any town in which he believes the original assessment was incomplete or faulty. If the resulting reassessment by the local officials is unsatisfactory, he may employ the necessary assistants to reassess the property in question, and make their report to him, the expense of such reassessment to be charged to the town in which the property is located.

4. Finally he is required by section 8 of chapter 12 to equalize and adjust the assessment list of each town by adding to or subtracting from it, such an amount as will bring it to its just value.

From the above review of the legal basis for equalization of assessments, two principles stand out boldly :

1. It is the duty of the state tax assessor to so instruct local assessors by prescribing accepted methods and standards of appraisal practice, that they shall be able to ascertain and record the just value of all property in their jurisdictions **as a base for raising revenue for both local and state purposes.**

2. If in the judgment of the state tax assessor, the local assessors have not properly done their work, he and/or the state Board of Equalization shall use all the information at their disposal to adjust upward or downward the totals furnished them by local assessors, in order that they may more accurately reflect the just value of the property in the towns **as a base for the allocation of the state and county taxes.**

In other words, it is not enough that town valuations shall be adjusted for state and county tax purposes; the state tax assessor has his duty to perform to the citizens who are subject to the taxing powers of the state, that their property may be assessed in such an equitable manner that each property owner shall pay his fair share, and only his fair share, of the cost of government.

Your committee believes that the powers thus conferred upon the state tax assessor, and the Board of Equalization, are positive and far reaching within the limited conception the lawmakers then had, as to what such powers should be. In comparison with similar powers granted in some other states, they might even be considered drastic, authorizing as they do the reassessment of local property, if necessary, by the state tax assessor, and omitting only a specific provision for the removal of assessors whose work shows them to be unqualified and inefficient. In the light of modern assessment and equalization practice, however, the means provided for the carrying out of the dual purpose of the constitution and statutes is meager in the extreme. There is presupposed on the part of both State Tax Assessor and his Board of Equalization, a high degree of omniscience

which no human beings possess, and which the present incumbents in these offices would be the last to claim. Although the State Tax Assessor is responsible under the law not only for the instruction of local officials in their duties, but for the reasonable correctness of the results obtained by them, no means have been set up by law by which he can "secure information to enable them to perform their duties" (Chapter 12, Section 5), or in general to check the results obtained by information secured outside that submitted by the local officials themselves. It is true that he has power to investigate on complaint, or otherwise, all cases of concealment, undervaluation or failure to assess. In practice, such investigation has to be confined largely, at present, to a few cases where the assessment is so glaringly inaccurate that this fact is fairly obvious on the face of it.

The State of Maine consists of 510 organized towns and 384 unorganized townships, all covering an area nearly as large as the rest of New England. It is not humanly possible for the State Tax Assessor to be personally familiar with the value of more than an insignificant portion of the hundreds of thousands of parcels of property in this area. Because of the size of the task, it is even impossible for him to personally contact all assessors and instruct and advise them in detail with respect to assessment practices, or to check in detail all results obtained. The small staff of the Bureau of Taxation, and the small appropriation made for its administration, do not contemplate the securing of the first hand information which the State Assessor should have available for any intelligent review of the work of local officials. Although the general property tax provides about 60% of the total tax revenues produced within the state, past legislatures have been strangely blind to the importance of providing the State Tax Assessor with the necessary assistants to enable him to exercise properly the supervision over local assessors in such a way as to secure the results contemplated in Section 5 of Chapter 12. This would require a vast amount of local data secured from first hand sources, which the Bureau does not have sufficient personnel to obtain. It would also require a degree of personal contact with local assessors, which does not and cannot now exist. How necessary such data and personal contact are to any adequate exercise of the function of equalization will be shown later in connection with the experience of other states which have attacked the problem with considerable success.

**The Need for Better Assessing.** To show the need for a far better quality of assessments than is now being secured, it is necessary to review briefly current assessment practices in the towns. There are under 100 towns which are attempting to put into practice reasonably modern methods of appraisal for tax purposes. The other 400 may be fairly said to be



assessing by methods not modern, and which result in great inequalities. It is now generally recognized that complete tax maps are a prerequisite to accurate assessing, yet only 2 of the larger municipalities have maps of their entire areas. Eight others have such maps well along in the process of preparation. Other towns have surveys covering a portion of their territories; many have none at all. In most towns no effort is being made to supply such surveys; but it should be said that considerable work has lately been done along this line with the aid of W. P. A. grants. The seriousness of this general lack of tax maps may be realized from the fact that in some states, which in recent years have made complete surveys, it has been found that a substantial percentage of the total land area previously unsurveyed had been unassessed. In Connecticut, municipalities which in recent years have made complete tax maps have been fully compensated in some cases, and in large measure in others, by discovering and adding to their assessment rolls new properties never before assessed. In North Carolina, a statewide survey resulted in the placing of a million additional acres on the assessment rolls. We grant that it is not financially possible for all towns to make an immediate and complete survey, but in most cases a small appropriation each year would cause such a survey to be completed within the next decade. Perhaps this is a situation in which state aid should be furnished.

In the majority of the towns there is no classification of land by actual inspection, no unit land values, no methods for establishing reproduction costs of buildings with allowance for depreciation, no checking of values with actual transfers as recorded in the county registry. The process of assessing in many towns consists chiefly of copying into this year's tax book the records of last year's assessments, without any attempt to find objectively the actual value of the various properties. If the records are varied from year to year, it is accomplished chiefly by the armchair method of making as shrewd a guess as possible as how much each citizen will stand without too much squawking. In such a chaos it is inevitable that pronounced dissatisfaction should exist among those property owners who justly feel that they are bearing more than their fair share of the tax load.

One of the worst features in much of the current assessing is the vagueness of the description of property, which is often such as to invalidate tax sales, should such sales be contested in the courts. A case in point is that reported by a Portland attorney, who found a piece of acreage in a Cumberland County town described as follows: "Land on the Harpswell Road". Obviously no tax title could be conveyed by such an indefinite description. Numerous cases are occurring in which the aggrieved property owner uses such inadequacy of description as a weapon to secure an abatement of his taxes after tax sales have been made. On account of such

vagueness there is no doubt that a very substantial proportion of the taxes now uncollected in the state, are legally uncollectible. It is equally certain that because of inadequate descriptions, many thousands of Maine citizens pay taxes each year who are under no legal compulsion so to do.

Few towns have had a thorough-going revaluation in many years. The rise and fall of values, due both to cyclical influences and to changes in the popularity or use-value of residential and business districts, are so tardily taken into account that there are often wide discrepancies between the value-picture conveyed by the assessment roll and the actual market value of the property involved.

The foregoing lacks in assessment practices are further complicated by a competitive undervaluation of property with a view to escaping as much as possible of the state tax, which, because of the lack of facilities for the Equalization Board to function properly, has been laid on the various towns until recently in too general accordance with the valuation reported by the town assessors. Thus a premium has been paid by the inadequacy of the taxation system on the deliberate under-assessment of property. This tendency is the more pronounced because in Maine there is no large reservoir of state-collected funds from other sources which is redistributed to the towns in proportion to assessed valuation, as is the case with many other states which raise large sums from income, sales or severance taxes. It is small wonder, therefore, that local assessors long ago generally committed their towns to the policy of low valuation and high tax rate, inasmuch as it has paid the highest dividends. We shall show later on in this report that more efficient state equalization would offset in considerable degree the tendency to undervalue property, by cancelling the chief advantage the scheme has.

**Evidence of the Extent of Inequality in Valuations.** With all the above factors in operation, and state supervision at a minimum until recently, it is not surprising that the most glaring inequalities in valuation exist. These may be divided roughly into four categories, according to ratios of assessed value to just value:

- (a) As between like properties in the same town.
- (b) As between different classes of property in the same town.
- (c) As between similar properties in different towns.
- (d) As between total assessed valuation in different towns.

A painstaking survey carried on by the State Tax Assessor in several counties during the past year has produced a mass of statistical data of such extent and variety as to prove beyond doubt the existence and extent of the inequalities as above classified. Several thousand transfers of real estate have been taken from the various registries of deeds, and culled

carefully by a field investigator so as to weed out family transactions, forced sales, and all others which for any reason do not represent dealings between willing buyers who did not have to buy, and willing sellers who did not have to sell. The sales used may be taken as a fair index of what real estate is being bought and sold for in our towns and cities.

The sale value of these properties, when checked with local assessments, has disclosed a wide variation in the ratio of assessed value to market value. This range has been as great as 70% in the same town. Even a field check on the individual pieces of property, often fortified by an appraisal of nearby properties of similar character, has failed to narrow up these variations to any considerable extent.

Take for example the case of a town which we will call "X". There were several sales of properties of the same approximate location, construction, age, and condition, at prices ranging from \$3000 to \$3500. Yet upon the assessor's books the valuations ranged from \$800 to \$3200. In this town, about 200 sales were checked thoroughly, and the investigation showed that the total assessed value of the properties concerned was 62.45% of the total actual price paid.

An example of how ratios vary as between different classes of property in the same town, and as between the same class in different towns, is shown by the following table. In each of these towns not only were the sales thoroughly checked, but appraisals of mercantile and industrial properties were made, and the ratio obtained which the assessed valuation of each class of property bears to actual selling prices, or appraised value. In order to give an accurate picture of the composite ratios, the importance of each class of property in the tabulation has been weighted in accordance to the proportion which it bears to the sum total of property value in the town.

**TABLE 1.** Ratio of Assessed Value to Selling Prices and Appraised Value.

TOWN	SALES		APPRAISALS		WEIGHTED AVERAGE
	Residential and Farm		Mercantile	Industrial	
1	62.45%		72.2%	86.1%	68.92%
2	74.95		82.0	74.6	75.58
3	86.4		82.2	73.4	82.21
4	64.1		53.3	68.7	65.29
5	68.8		59.3	32.5	66.84
6	79.73		88.1	78.4	81.86
7	72.24		78.3	81.0	78.57
8	69.88		69.4	70.5	69.81

In the tabulation it may be noted that in town 8, all classes of property are on a fairly uniform basis. Two or three years ago three qualified men made an independent appraisal of 122 properties, representing a cross section of the various classes of property in this town. They found, upon checking with assessed valuations, that the property appraised was assessed at 67.7% of what they believed to be its just value.

Sales of 6 to 8 room houses, well arranged and of fairly good construction, are probably more frequent today than those of any other class of real estate, the two-family house being the nearest competitor, especially in the larger towns and cities. For a comparison of valuations as between towns, a typical 7 room cottage house was picked from the sales in each of 4 towns. These houses were two to four years old, cost from \$3600 to \$4000, or an average of \$3800, and included a garage and a lot of approximately 5000 sq. ft. All four were comparable with each other as to modern conveniences, class of district, proximity to schools, etc. The following table illustrates the variation in the judgment of the local assessors as to the taxable value of these houses. The ratios of assessed value both to cost and to selling price are also shown.

**TABLE 2**

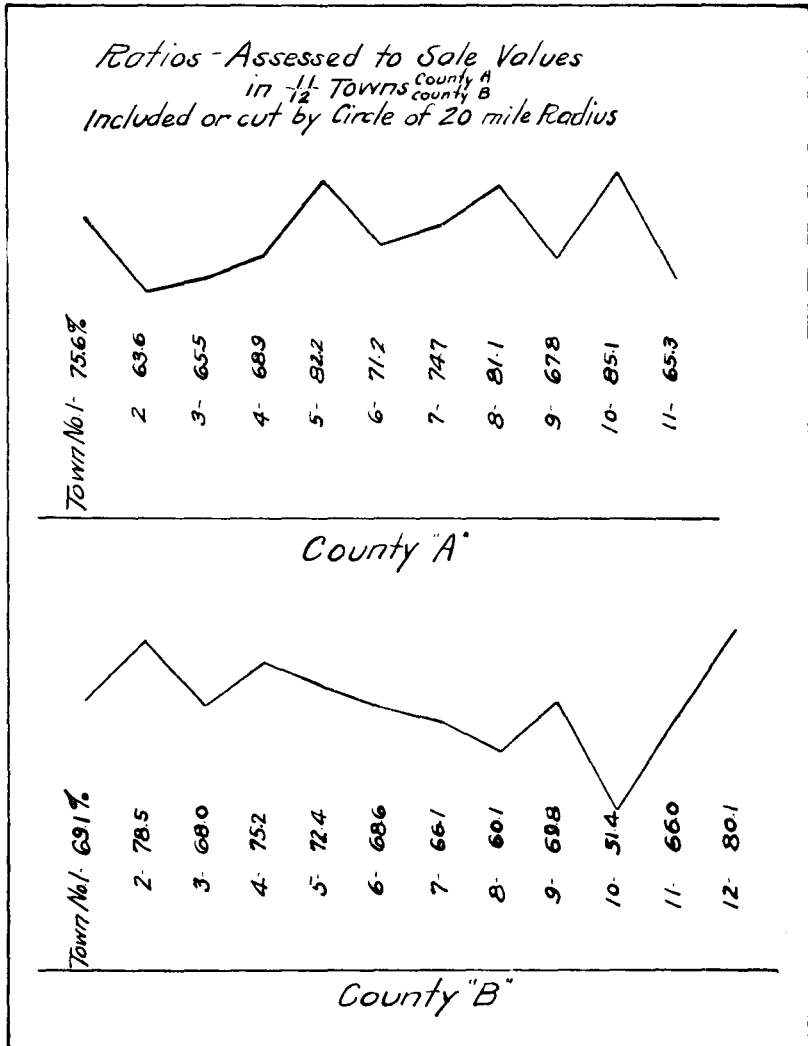
Town	Aver. Cost	Approx. Sale Value	Assessed Value	Ratio of Assessed Value	
				To Sale	To Cost
1	\$3800	\$2750	\$1600	58.2%	42.2%
2	3800	2750	1100	40.0	28.9
3	3800	3250	2250	69.2	59.3
4	3800	3000	2760	92.0	79.0
Averages	3800	2938	1928	65.8%	50.8%

The variation in the ratio of assessed value to actual market value is even more extreme in the case of the larger and more expensive houses. This class of property in many towns is a drug on the market, and is sold from 10% to 40% of its reproduction cost. In fact, such a house costing around \$20,000 to build will often sell for no more than one which cost \$6000 to \$8000 to build. Admitting that it is much more difficult for local assessors to set a fair value upon such property, it seems quite illogical that one town should be assessing it at 30% to 50% of the sales value, while another town nearby is assessing it at approximately full value.

Were one to describe a circle of twenty miles radius about almost any town hall, eight to fourteen towns would be included in or cut by this circle, and eight to fourteen assessing ratios would undoubtedly be found. To show such variations in graphic form, a town was picked in each of two

counties, and the ratios of assessed value to sales value worked out for each town included in or cut by such a circle. The following graphs show the results.

TABLE 3

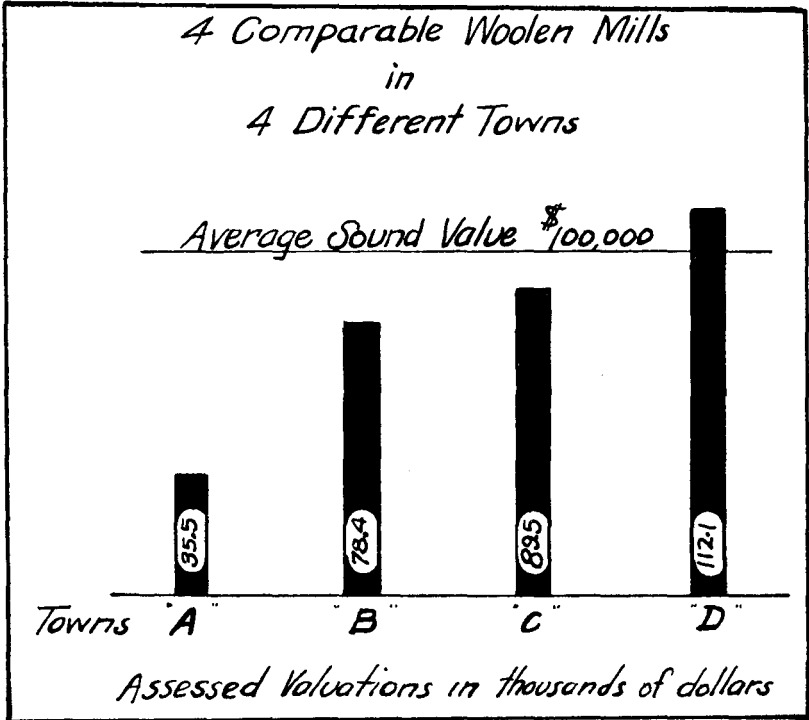


**County "A"**  
 Range 63.6% to 85.1%  
 Variation 21.5%

**County "B"**  
 Range 51.4% to 80.1%  
 Variation 28.7%

A striking example of extreme variation in the assessed valuation of comparable property in different towns is shown by the following comparison of textile mills. The plants in question are all of brick construction, and built between 1886 and 1894. There is less than 10% variation in floor space, and less than 10% variation in the gross business which the various mills did in 1937 on similar lines of goods. Three of them have 48 looms and the necessary substantiating machinery. The fourth has 46 looms but its water power is superior, furnishing nearly all the electrical energy required. Town "A" values its mill at \$35,500; town "B" its mill at \$78,400; town "C" its mill at \$89,500; and town "D" its mill at \$112,100. There is less than 10% difference in depreciated sound values as going concerns, and the fair value of each would be approximately \$100,000. These four mills are valued respectively at 35.5%, 78.4%, 89.5%, and 112.1% of fair value. The variations are set forth in the following graph.

TABLE 4



To some extent these wide divergencies in valuation are narrowed by variations in local tax rates; yet this comparison shows how partial exemp-

tion in some communities, and "socking it to them" in others, make for inequalities in the burden of taxation, which in turn make for unfair competition as between plants.

For towns as a whole, the lowest ratio of assessed to true value has been 48.9%, and the highest 120%. Several towns are valued just under 100%, and some at 100% of true value. By far the majority of the towns investigated fall within the range of 65% to 85%.

**Individual Inequality in the Assessment of Farm Property.** Evidence of inequality in the assessment of farm property was found by C. H. Merchant and M. S. Parsons in a survey of Maine farm property, reported in the Maine Agricultural Experiment Station Bulletin 366, June, 1933, pages 248 to 253. In this study, owner's estimates of 422 farm properties were compared with their assessed valuations. We believe the method used was inexact and inconclusive in comparison with the foregoing methods based on a check against actual selling prices, because an owner's estimate may be high or low depending on his slant on his own property, and his suspicions, if any, as to the final use to which his estimate will be put, and its possible impact on the assessed valuation of his property. Nevertheless, the study presents additional evidence of the wide variations in assessed values.

TABLE 5

Relation of Assessed and Estimated Market Valuations on Different Types of Farms

Per cent assessed is of estimated valuation	Number of farms (by types of farming)						
	Blue- Apple	Blue- berry	Dairy	Potato (Aroostook County)	Potato (Central Maine)	All Poultry types	
Less than 20	—	13	4	14	1	1	33
20-29	7	40	16	60	7	4	124
30-39	13	24	30	36	2	4	109
40-49	18	18	15	6	5	9	71
50-59	10	9	7	—	2	4	32
60-69	2	11	4	—	—	3	20
70-79	7	3	—	—	1	3	14
80-89	2	2	1	—	—	—	5
90-99	—	—	—	—	—	—	—
100 and over	1	2	1	—	—	—	4
Total	60	122	78	116	18	28	422

The facts to be noted in the above table are that some apple farms are assessed at less than 30%, others at more than 80%; some blueberry farms at less than 20%, others at more than 60%; some poultry farms at less than 30%, others at more than 70%. The range in Aroostook potato farms is less pronounced, yet varies from 20% to 50%. The significance of these facts is, that instead of being taxed "equally according to the just value thereof" on their farms, as contemplated by the Constitution, some owners are paying two, three, and even five times as much as some other owners per unit of farm value. What a travesty on the plain intent of the law!

To make matters worse, a high degree of regressivity was found as between low-value and high-value farms. A group of 127 farms, representing a capital investment of less than \$5,000 each, was assessed at 40.34% of true value, whereas a group of 4 farms having an estimated value of \$45,000 to \$50,000 each, were assessed at only 18.11%, and the average percentage for all farms over \$40,000 was about 25. The percentages for all price-classes are shown in the following table, which is taken from Bulletin 366.

**TABLE 6**  
**Ratios of Assessed to Estimated Value of Farm Property**

Capital Investment	Number of farms	Per cent assessed is of estimated value
Less than \$5,000	127	40.34
\$ 5,000-\$ 9,999	116	39.39
10,000- 14,999	52	34.99
15,000- 19,999	34	27.03
20,000- 24,999	24	29.52
25,000- 29,999	22	29.21
30,000- 34,999	14	29.56
35,000- 39,999	7	29.56
40,000- 44,999	11	27.50
45,000- 49,999	4	18.11
50,-000 and over	11	22.52
Total	422	30.29

The above table shows that farms worth less than \$5,000 each were proportionately assessed at about twice as much as those above \$40,000. If the sample taken by Merchant and Parsons was large enough to fairly represent the whole farm assessment situation in Maine, it indicates that farms in the lower brackets are in general heavily overtaxed in comparison with



and to some extent because of the undertaxation of properties in the higher brackets.

The extent of this overtaxation is shown in a further study of the relation that taxes paid bore to farm income and capital investment. Farms which were assessed at less than 20% of value—the group comprising the most valuable properties—had a ratio of taxes paid to farm income of 9.65, and to capital investment of .95; whereas the group assessed at more than 80% of value, representing the least valuable properties, had a ratio of taxes paid to farm income of nearly 21, and to capital investment of 4.71. In the first group, taxes amounted to \$9.53 per thousand of estimated value, whereas in the second group they were \$48.64 per thousand. Nothing could more strikingly illustrate the poor quality of farm assessments, or show the crying need for better equalization of farm values for tax purposes.

**Conclusions from Study of Assessment Practices.** We believe that the data above assembled demonstrate conclusively that outside of a few of the municipalities, modern methods for finding objectively the just value of property for purposes of taxation are not commonly being used; that the valuations currently made by most local assessors bear no ascertainable and uniform relationship to each other or to the just value of the individual properties assessed; that the inertia incidental to the all-too-common practice of bringing old valuations ahead from year to year without subjecting them to critical analysis and revision, causes such a lag in making changes in the assessment roll that the latter does not keep within hailing distance of appreciating or declining market values as influenced either by cyclical trends or by shifts in the popularity or use-value of neighborhoods or classes of property; that not only are some owners paying far more and others far less than their fair share of the cost of local government, but some towns are shouldering far too much of the cost of county and state government as compared with other towns. Such a picture of chaotic assessment conditions is not pleasant to contemplate. It constitutes a challenge to us to get in motion without delay an improved system of assessing which will gradually substitute intelligent methods of property classification and appraisal for the haphazard guesswork that now characterizes much of the assessing done in this state.

**A Review of the Experience of Other States.** As a guide to the adoption of a better system of assessment and equalization in Maine, it is interesting and worth while to review the experience of other states which have had the same problem to solve. As we shall show, the states vary greatly in the earnestness with which they have attacked the problem, and the wisdom

they have shown in adopting, or failing to adopt, adequate measures to secure both good original assessments and better county or state equalization. In studying the results obtained elsewhere, your committee has been impressed by the fact that the only way to real equalization, is by the route of good assessing. In other words, if equalization is made to depend on original assessments, it will not be really effective unless they are the best that can possibly be obtained, regardless of the amount of adjustment that is intended to be done. All attempts to equalize unequal assessments must be more or less haphazard. This element of chance, however, can be greatly reduced when the state tax commission, or board of equalization, does not rely entirely upon such original assessments, but establishes its own basis of valuation against which they can be checked.

In New England, the statutory powers looking to state supervision of assessments are limited, as is the provisions for administrative review and appeal. No county equalization is provided for. In Maine, appeals from the local assessors may be taken either to the county commissioners or the Superior Court; in which latter case the court may call upon the State Tax Assessor for an investigation and report on the facts.

In New Hampshire, although the state tax commission has authority to make a biennial state equalization by towns, it has pursued a policy of reassessment, rather than attempt state-wide equalization. In most cases, such reassessments are requested by the local assessors, and the state tax commission, through its own qualified appraisers, cooperates with the local officials. As in Maine, appeals from the decisions of local assessors may be taken to the Superior Court.

In Vermont and Massachusetts, no state equalization is made. In the latter state appeals from decisions of local boards may be taken either to the county commissioners, or to the Board of Tax Appeals, a quasi-judicial body. The power of supervision over assessments granted to the commissioner of taxation is largely of an advisory nature.

In Rhode Island and Connecticut, the state tax is levied on the basis of actual tax collections made by the towns, rather than on that of assessed valuations. This method is a very effective form of state equalization, and easily applied. Because of its use, no state equalization of local assessments is made. In both these states, such control as the state tax commissioner or commissioners have over local assessors is chiefly of an educational and advisory nature. In Connecticut, however, the state tax commissioner has vigorously urged on local officials the adoption of scientific methods of assessment, with the result that assessing methods in the cities have generally improved to an extent that represents a fair degree of local equalization. Unfortunately the same can not be said of the country towns,

where there is probably as great a degree of variation in the ratio of assessed to just value as in the rural towns of Maine.

In the middle Atlantic states, comprising New York, New Jersey and Pennsylvania, there is great dissimilarity in the assessment systems. New York has a system of county equalization made by county supervisors. No review of individual assessments is made except by the local assessors, but the tax commission reviews complaints of tax districts against county equalizations, and makes the state equalization by counties. The state tax commission assists local assessors to assess properties difficult to appraise. In New Jersey, county boards appointed by the Governor equalize valuations of tax districts, as in New York. It makes a state equalization by counties only. Pennsylvania attempts neither review nor equalization, as it levies no state property tax.

In the South Atlantic and the South Central States, the county is regularly the assessing unit, although the cities are usually allowed to have their own assessing officials. A county assessor or board, usually appointed by the court or the county commissioners, supervises the district assessors, who in turn are appointees of such supervisor. Review of complaints and county equalization are made by county commissioners, or by the county assessing board itself. Neither Maryland nor Virginia levy a state property tax, therefore, have no state equalization; neither have Florida, Maryland or Texas, Arkansas, Tennessee or West Virginia. In this entire tier of states, state equalization may be said to be performed feebly or not at all.

It is not till we get to the North Central States in our survey that we find a comprehensive plan of local and state equalization based on original assessments made under extensive state supervision. The state tax officials have far-reaching statutory powers with respect to control over and cooperation with township and county officials, informing and advising them, making periodical visits and test appraisals. They usually possess the power to make reassessments and to remove incompetent officials. It is in Michigan, Wisconsin, Iowa, Minnesota, North Dakota and South Dakota that equalization is most highly organized. Three equalizations are made,—township, county and state. In Iowa, Kansas, Minnesota, Missouri and South Dakota, state equalization extends to individual properties as a part of the regular system, and in most of the other states on appeal of the taxpayer.

In Indiana, Kansas, Nebraska and Wisconsin, district or county supervisors, usually appointed on a full-time basis, appear in the system. Such supervisors are, as a rule, especially qualified by training and experience for the job, and in Wisconsin are civil-service appointees of the state tax com-

mission. These supervisors perform the dual function of liaison officers between the commission and the local assessors, and advisers and instructors of the latter. This set-up lends itself alike to the development of the highest quality of original assessment and to the most effective equalization. The methods employed and the superior results attained by this system seem to your committee to merit especial consideration when we are considering ways of improving the equalization process in Maine.

The Far Western States have also made rapid progress along the road to state supervision and control in recent years. The state property tax is an important one in that part of the country, and a systematic effort is being made to improve the quality of the individual assessment. Several states have vigorously prosecuted a policy of cooperative reassessment, which has met with signal success in Utah and Oregon. Many of these states assist local officials in the classification of property, and even equalize by important sub-classes. The county unit of assessment is the rule in this section, and even the cities are required to use the county roll as the basis for tax levy. Usually the county commissioners make the local review and equalization; but California and Arizona have the supervisor type of county administration. All these states make a state equalization with the exception of New Mexico and California, the latter having no state property tax levy. This equalization is generally made by technically trained appointive officials, constituting commissions which have broad powers to reassess or make radical changes in connection with equalization. These states appear to be not far behind the North Central States in the efficiency of their tax administration, both local and state; indeed they are following along the same line of supervision and control, with a tendency to even more radical improvement of the original assessment, which must be the basis of any scientific equalization.

**Conclusions Drawn from the Experience of Other States.** As your committee has studied the experience of the various states, it has made various fundamental observations which it is now worth while to summarize.

It is apparent that state or county equalization is only a makeshift remedy at best, to correct an evil which is at the root of the entire problem, namely the poor quality of original assessments, made in all too many cases by men who have insufficient knowledge of property values or how to ascertain them, and are employed either on a per diem basis or at a compensation so inadequate as to make it impossible for them to devote sufficient time to the work. They are all too often swayed by personal and political considerations, which operate to prevent bringing local assessments up to just value or any fixed percentage of just value, because such a step would result in certain influential persons paying more taxes, even if others paid

less. When the assessors are elected by the people rather than appointed by local or county authorities, this fear of political repercussions is undoubtedly a great deterrent to wholesale changes in individual valuations, and results all too often in copying last year's valuations on to this year's assessment rolls, without regard to changes upward or downward in the general value of property, or to changes in the value of different classes of property in relation to each other. There is moreover a **general tendency** on the part of incompetent assessors to undervalue the larger and more expensive properties, thereby making the property tax regressive. It can fairly be said of the East and South, that local taxing officials are given insufficient instructions for their work, or none at all, and are not in most cases answerable in practice to any county or state superiors, as to the quality or results of their work. These conditions do not obtain in urban assessments to the same extent as in rural, inasmuch as most cities have their own assessing officers employed on a full time basis, which enables them to devote more time to the study and comparison of valuations. There is no doubt that even in those states which attempt county or state equalization, or both, without seriously trying to improve the original assessment, the knowledge on the part of the local assessor that the equalization process will be applied to his work in order to overcome to some extent the sum total of his mistakes, often lulls him to indifference as to the necessity for improving his methods. It can be said of no state that original assessments are yet generally made of such excellence that no equalization needs to be attempted. At the root of the matter is the failure of the public to realize the gross shortcomings of the present system, and to demand that they be corrected.

In the North Central and Western States, however, the public is now demanding and securing some degree of improvement. This improvement often applies only to valuations as they are equalized for county or state purposes, and do not change the figures on the local assessors' books. It is inevitable, however, that as state and county officials improve their methods of securing equalizing averages, close cooperation of central with local officials should have a highly educational effect on the latter, with consequent improvement of their work. It is too much to expect that an evil which has existed from time immemorial can be immediately cured. It is therefore not surprising that only a comparatively few of the states have made marked progress toward their goal. The lesson for us in Maine is that some states have made such progress, and we may learn from their experience the nature of the course along which we must go to improve our own assessing practices. This course is greater central control through district supervision. It is the method used everywhere that striking results have been obtained.

It may be objected that local assessors are too individualistic to readily brook such central control; yet a similar control is exercised constantly over other local activities, without a thought that it is not proper and natural. In practically all states, including Maine, local health officials are subject to the control of a state health department, which has broad powers over local officers and their acts, even to the extent of reversing the latter if they are regarded as unwise or inadequate. A similar control over local school officials is almost universal. A town may not employ a school-teacher who has not qualified under minimum educational requirements fixed by the state, passed examinations conducted by the state, and received a certificate granted by the state. Your committee has never heard anyone complain that such state control is not proper or necessary to maintain a high standard of education. A similar control exists almost universally with respect to police activities. It is a fundamental principle of public safety that county or state authorities may step in, with or without notice, and take control of any local disturbance with which local officers are unable or unwilling to cope. How then can there be any reasonable objection to state supervision and control over such a fundamental public operation as assessing property, upon the reasonableness and soundness of which depends not only the operation of health, school and police departments, but the very credit and stability of the state itself?

That such central control was envisaged many years ago is abundantly evident in the extract from Section 5, Chapter 12 of the Revised Statutes, which we quote again for emphasis: "The Board (now the state tax assessor) SHALL HAVE AND EXERCISE general supervision over the administration of the assessment and taxation laws of the state, AND OVER LOCAL ASSESSORS AND ALL OTHER ASSESSING OFFICERS IN THE PERFORMANCE OF THEIR DUTIES, to the end that all property shall be assessed AT THE JUST VALUE THEREOF in compliance with the laws of the state." Can there be any reasonable objection to putting into practice now, for the common good, the above statutory provisions, by giving the State Tax Assessor the means of doing what the law requires him to do?

**A Plan for Tax Equalization in Maine.** Your committee begs leave to submit the following recommendations for a Maine Plan of Tax Equalization, which we believe is in accordance with the experience and practice of those states which are making the most progress toward better state equalization. In making these recommendations, we claim no originality for ourselves. The principles are known to all students of taxation, and have from time to time been called to the attention of Maine citizens. We sum them up here because they are the logical conclusions derived from

our investigation, and offer them as a workable plan which may be readily adopted by the State Tax Assessor when the Legislature shall see fit to give him the necessary personnel with sufficient but moderate funds to carry on the work as outlined.

1. The State Tax Assessor should be given the authority to divide the state into as many equalization districts as he deems necessary, but not more than six. Two or more counties may be combined, but no county may be divided. He may rearrange such districts from time to time as he may see fit.

2. The State Tax Assessor should be given authority to appoint technically qualified full time assistants, who shall not hold other public office during the term of such employment, and who, upon appointment, shall come under the state merit system. We believe this is essential in order to insure such appointees against political or other pressure, which would interfere with the quality of their work, or the long continuation of their employment. Each appointee would become the supervisor of an equalization district. In the case of a populous district, assistants might be added. Such supervisors should be charged with the duty of instructing, advising, and reviewing the work of local assessors, holding district or local meetings with them from time to time, and encouraging and cooperating with them in the making of local assessments. Such supervisors would familiarize local assessors with modern assessment practices, and encourage them to use such improved methods for the finding objectively of the just value of the property to be assessed. They would aid in the classification of property, both urban and rural, encourage local assessors to view all property to be assessed, set up unit land values—in the country by the character and fertility of the soil, the use to which it is adapted (tillage, pastureland, woodland, wasteland, etc.), the character of the road on which it is located, the distance to markets; in the city, by the square foot or front foot. In case of dissatisfaction on the part of the taxpayer with his assessment, the district supervisor would be constantly available for consultation with such taxpayer, and assessors. In short, it should be the duty of such supervisor to use all proper means for the guidance of local assessors, in order to make the quality of the original assessment the best that can be obtained. Without minimizing the initial difficulties to be overcome, or the time necessary to bring about a radical improvement in assessment practices and results, it is fair to say that the long-run results of such a policy would be to establish a reasonably accurate local equalization, which would greatly simplify state equalization.

3. The district supervisor should constantly compare the assessed value of property sold in his district with actual selling prices as determined by

a field check of sales, with the dual purpose of encouraging local officials to equalize individual assessments, using the level of just value as the yardstick, and of securing for the use of the Board of Equalization the necessary ratios by subclasses of property, or otherwise, to enable such board to perform its duties more intelligently. In case the number of sales in a town or district were not sufficient to use exclusively for the ascertaining of such ratios, the district supervisor should supplement them by appraisals of a sufficient number of properties, so that together a proper basis for the obtaining of equalizing ratios could be established.

4. Whenever it became necessary for the State Tax Assessor, because of the unsatisfactory results obtained by local officials, to make a reassessment of a town as now provided for in the Revised Statutes, the district supervisor should superintend the making of such reassessment, employing such assistants as the State Tax Assessor might require.

5. The present law providing that appeals from the decisions of local assessors must be made either to the county commissioners, or to the Superior Court, should be amended to permit such appeals to be made, at the option of the taxpayer, directly to the State Tax Assessor, in which case he might personally hear the appeal or delegate authority to an assistant to hear it. The right to such a direct appeal to the State Tax Assessor should not be conditioned on having filed with the local assessors on April 1st a complete statement of the taxpayer's property holdings, inasmuch as the cause for such complaint may not appear to such taxpayer until valuations are fixed and tax bills sent out. The right to such a direct appeal and hearing should be conditioned, however, on the filing with the State Tax Assessor, at the time of such appeal, a sworn statement of the aggrieved taxpayer's property holdings as of April 1st of the current year. The time during which such appeals may be made might well be limited to the eight months following April 1st of the current assessing year. This would give the taxpayer sufficient time to become aware of a cause for complaint, yet would enable the appeal to be heard and the matter adjudicated well within the current tax year. The decision of the State Tax Assessor, or his assistant, should be binding on both the taxpayer and the local assessors. The procedure in such tax appeal hearing should be as simple as possible, with due regard, however, to reasonable rules of evidence, in order that the taxpayer and the town assessors may ordinarily avoid the necessity and expense of employing counsel.

**Results to be Expected from such Plan of Equalization.** The changes above outlined are sufficient, in the opinion of your committee, to supplement the present extensive powers which the State Tax Assessor and the



Board of Equalization now have, to form the basis for a progressive plan of local and state equalization. Such a system would embody the tried and tested methods of other states which have already made considerable progress toward tax equalization, yet would involve a minimum of modification of present tax laws. It properly places the emphasis where it belongs, namely, on the improvement of the original assessment, and at the same time establishes a more scientific basis for state equalization, which would diminish in importance as the quality of the original assessment improves. By making the powers of the district supervisor essentially educational and advisory, it would offer a minimum of central control over local assessing officials, yet remove from the latter all the present advantage of the competitive undervaluation of property. The cancellation of such advantage would be followed, in the opinion of your committee, by a gradual raising or lowering of assessed value to approximate conformity with just value. Your committee believes that most assessors are essentially fair-minded men, who have an instinctive desire to do justice to all taxpayers in their respective towns. Could they be freed from political and personal pressure, and effectively instructed in modern methods of appraising for tax purposes, they would gladly make in their own defense the most equitable assessments possible, in order to avoid the criticism, often severe, of dissatisfied taxpayers. Although the system above outlined would not at once accomplish all these ends, the town assessor would find his own judgment, wherever correctly expressed, supported by the judgment and authority of the district supervisor. In cases where his judgment had erred, any fair-minded assessor would welcome the instruction and advice of a trained and friendly supervisor. By close cooperation between the two in cases of complaint by aggrieved taxpayers, the vast majority of complaints would be settled amicably, leaving the taxpayer, however, a reasonably easy and inexpensive method of appeal in cases where local conferences failed to iron out differences.

Above all, it would implement the State Tax Assessor and the Board of Equalization with the tools necessary to accomplish in a more intelligent and scientific manner the objects which the Constitution and Revised Statutes require of them. Without the detailed information such as the district supervisors could readily and regularly supply, any equalization process attempted at Augusta must necessarily be more or less blind and haphazard. With equalizing ratios worked out as carefully as possible between various district supervisors for the important subclasses of property in their respective districts, and by occasional meetings of such supervisors with the Board of Equalization, the latter would be in a position not only to equalize more effectively by districts, but also to bring the various dis-

tracts into a better coordination with each other. All this can be accomplished at an expense which would be trifling in comparison with the importance of the results obtained.

Finally, your committee cannot emphasize too strongly the fact that the purpose of equalization is a fairer adjustment of the tax burden, as between the owners of property, rather than the collection of more taxes by the towns and state. The citizens of Maine owe it to themselves to make sure that their public officials, who are their elected representatives, conduct their affairs in such a prudent and economical manner, that the total cost of government shall be as low as is consistent with efficiency of operation. This granted, the problem becomes one of equitable distribution of the tax burden in accordance with ability to pay, as evidenced by the ability to buy and to own. It is inevitable that after years of competitive undervaluation of property by the towns, any effort to equalize assessed valuations by bringing them upward or downward to the level of just value will result in increasing the total valuation of the state. Tests recently made by the Bureau of Taxation show that assessed values in the seven counties already covered average 74.5% of just value. In the absence of like tests in the other nine counties, it is too early to forecast whether the statewide ratio of assessed to just value would materially differ from the ratio already established. If considerable additional valuation should be found, this does not seem to your committee to be of great importance, as both the local and state property tax rates should diminish correspondingly. The significance of the entire plan, however, would not be confined to such lowering of tax rates. The chief long-run benefit would arise from the adjustment of the local tax burden on a far more equitable basis.

We do not maintain that this most desirable result could be achieved at once. It would take at least three years to establish equalizing ratios, by important subclasses of property, for the entire state. Inasmuch as too rapid an adjustment might temporarily dislocate the budgetary provisions made by the various towns, it would be necessary in practice to spread changes upward or downward over a period of years. Your committee believes that within five years significant results could be obtained.

The long-run accomplishments of the proposed Maine Plan for Tax Equalization would be so vastly superior to the present chaos of valuations, that it would justify many times over the efforts involved.

Respectfully submitted,

JOHN F. BLANCHARD, Chairman.  
ALTON T. MAXIM, Secretary.  
GEO. P. FINDLEN.