

Classification and the Tax Rate



December 5, 2016

Introduction

- **Board of Assessors**
- Wil Cournoyer 1988
- Fran Bousquet 1992
- Diane Kokoska 2016

Purpose of Classification and Options

- M.G.L. Chapter 40 Section 56 – Allows a shift in the tax burden between classes of property.
- This does not change the total tax levy for the town; it simply determines the share to be borne by each class of property.

What Classification Does Not Do!

- Classification does not determine the tax rate for the town
- Classification does not determine how much money can be raised
- Classification does not determine how much money will be raised

Topics of Discussion

- New Growth
- Recertification/Revaluation
- Property Values and the Taxable Town Value
- Tax Levy and the Tax Rate
- Levy Limit
- Excess Levy Capacity
- Classification Factor
- Examples of a Tax Shift
- Tax Wise – How Do We Compare

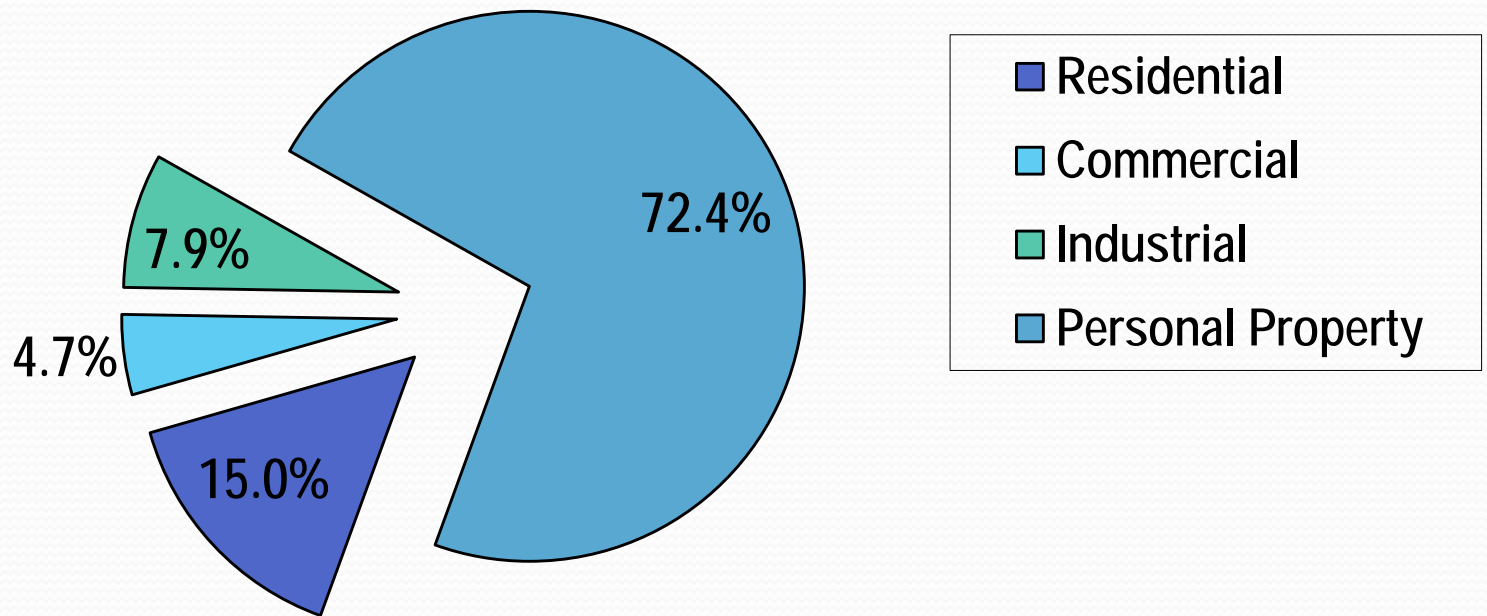
New Growth

- What is it?
- How does it affect property taxes?
- How does it affect the levy limit?

2017 New Growth

	Taxable Value	Taxes Generated	% of Total
Residential	\$2,040,155	\$41,232	15.0%
Commercial	\$643,222	\$13,000	4.7%
Industrial	\$1,076,175	\$21,749	7.9%
<u>Personal Property</u>	<u>\$9,831,000</u>	<u>\$198,685</u>	<u>72.4%</u>
Total	\$13,590,552	\$274,666	100.0%

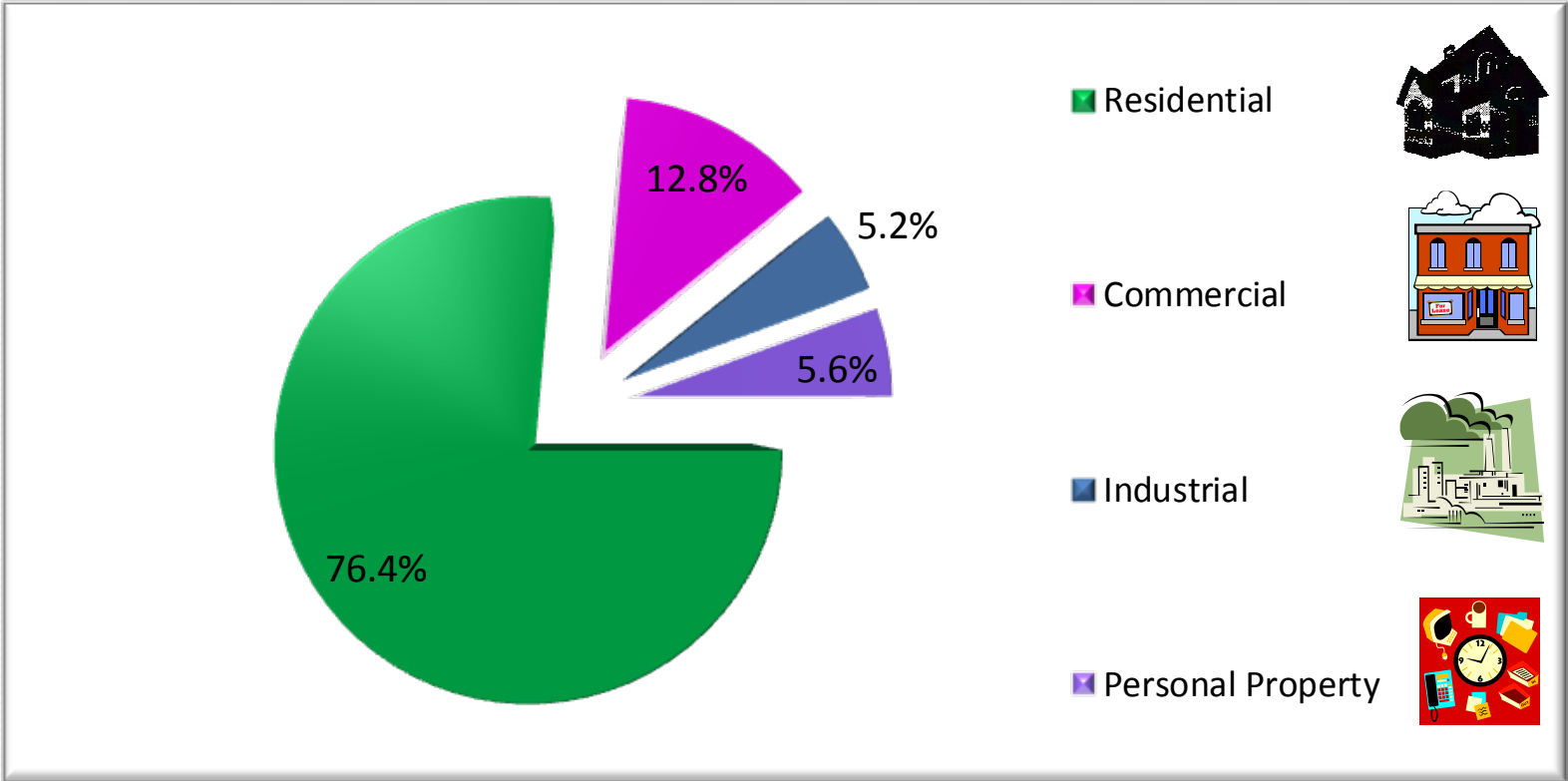
2017 New Growth



2017 Taxable Town Value

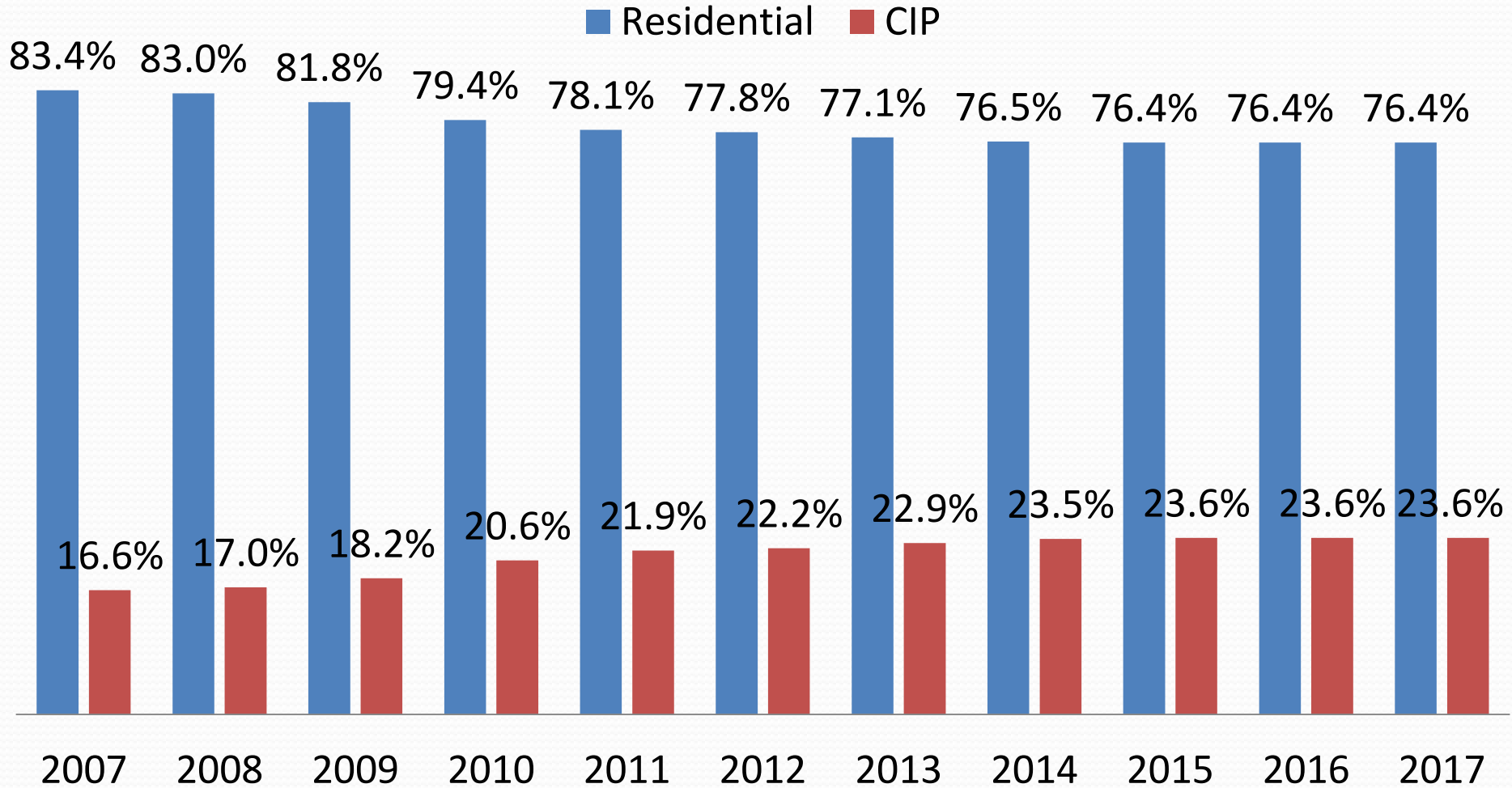
	Taxable Value	% of Total
Residential	\$712,729,477	76.4%
Commercial	\$119,268,171	12.8%
Industrial	\$48,768,400	5.2%
<u>Personal Property</u>	<u>\$52,344,280</u>	<u>5.6%</u>
Total	\$933,110,328	100.0%

2017 Taxable Town Value



2017 Taxable Town Value

FY2007 TO 2017 PROPERTY CLASS BREAKDOWN



Revaluation/Recertification

- Recertification Every 3 Years -FY 2016 (Last Year)
- Revaluation – Update Values Every Year
- Full and Fair Cash Value as of January 1, 2016
- Comparable Arms Length Sales - Prior Year(s)
- Taxes Based on Proportional Share Of Town Value
- Individual Proportions Change from Year to Year

Revaluation/Recertification

- Cyclical Inspection Program
- Sales Review
- Building Permits
- Recertification / Revaluation Field Review
- Annual Income and Expense Questioner's (I&E's)
- Forms of Lists
- Inspections per Taxpayer Request
- Abatement Applications

Valuation Changes

Single Family	+2.29%
Condominium	+0.64%
Two and Three Family	+2.27%
Over 4 Units	+0.21%
<u>Land</u>	<u>-0.51%</u>

Total Residential **+1.91%**

Total Commercial **+0.02%**

Total Industrial **+0.14%**

Tax Levy and Tax Rate

- Tax Levy is Determined by:
 - All Appropriations and Expenditures
 - State and County Charges
- It is paid for by using:
 - State Aid and Reimbursements
 - Local Receipts (Excise Tax, Fees etc.)
 - Enterprise Funds
 - Free Cash, Stabilization, Transfers
 - Remainder is the Tax Levy

Tax Levy

Total Amount to be Raised (From Recap)	\$60,950,473
Less:	
State Aid Receipts	(\$24,004,898)
Local Receipts	(\$5,942,687)
Enterprise Funds	(7,998,172)
Free Cash, Transfers, & Overlay	(3,810,638)
Tax Levy	\$19,194,079

Tax Levy and the Tax Rate

- 2017 Tax Levy \$19,194,079
- 2017 Taxable Value is \$933,110,328
- \$19,194,079 Tax Levy / \$933,110,328 Town Value
Yields a Tax Rate of \$20.57 per \$1,000 of
Assessed Valuation

Tax Levy Comparison

2017 Tax Levy	\$19,194,079
<u>2016 Tax Levy</u>	<u>\$18,501,046</u>
Overall Increase	\$693,033 or 3.75%
<u>Less New Growth</u>	<u>-\$274,666</u>
Change After New Growth	\$418,367 or 2.26%

Proposition 2 1/2

- MGL Ch. 59 Sec. 21C
- Levy Ceiling
- What is the levy limit and Maximum Allowable Levy?
- What is excess levy capacity?

Levy Ceiling

- States that in any year property taxes cannot exceed $2\frac{1}{2}\%$ of the Total Taxable Assessed Value or
- Tax Rate cannot exceed \$25.00/1,000 Valuation

Our Levy Ceiling

Total Taxable Assessed Value	\$933,110,328
Times 2 ½ %	.025
Levy Ceiling	\$23,327,758

Levy Limit/Maximum Allowable Levy

FY 2016 Levy Limit

Add 2 ½%

Add New Growth

FY 2017 Levy Limit

Add Debt Exclusions

FY 2017 Maximum Allowable Levy

Our Levy Limit

FY 2016 Levy Limit	\$19,151,014
2 ½% Increase	\$478,775
<u>FY 2016 New Growth</u>	<u>\$274,666</u>
2017 Levy Limit	\$19,904,455
Debt Exclusion (Bay Path)	<u>\$218,995</u>
FY 2017 Maximum Allowable Levy	\$20,123,450

Excess Levy Capacity

Fiscal Year	Maximum Allowable Levy	Actual Tax Levy	Excess Levy Capacity
2017	\$20,123,450	\$19,194,079	\$929,371
2016	\$19,373,722	\$18,501,046	\$872,676
2015	\$18,597,932	\$18,421,552	\$176,380
2014	\$17,782,761	\$17,578,522	\$204,239
2013	\$17,070,177	\$16,905,379	\$164,798
2012	\$16,391,899	\$16,185,023	\$206,876
2011	\$15,785,204	\$15,605,008	\$180,196

Residential Exemption

- § Up to 20% discount to value of Owner Occupied Residential Properties.
- § Tax Rate Increases for all Residential Properties
- § Shifts the burden from the “lower valued” homes onto the higher priced homes and non-resident homes.
- § All vacant residential land is taxed at higher rate
- § Works in communities with a large amount of vacation homes, or non-owner occupied properties to shift the burden onto.
- § BOA strongly recommends against this Exemption.

Classification Factor

- MGL Ch 40 §56 requires the council to adopt a factor between 1 and the Minimum Residential Factor (MRF)
- Maximum shift of 50 % to CIP classes
- MRF is .845397
- Council may adopt any factor between 1.0 and .845397
- Factor of 1.0 each class would be taxed at the same rate
- Examples of shift on various classes

FY 2017 TAX SHIFT SCENERIOS

CHART # 3

	(MRF)					
	TAX RATE	TAX RATE	TAX RATE	TAX RATE	TAX RATE	TAX RATE
	USING	USING	USING	USING	USING	USING
FACTOR	0.845397	0.876317	0.907238	0.938159	0.969079	1.000000
RESIDENTIAL TAX RATE	17.39	18.03	18.66	19.30	19.93	20.57
COMM./IND. TAX RATE	30.85	28.80	26.74	24.68	22.63	20.57
% SHIFT TO CIP	50.00%	40.00%	30.00%	20.00%	10.00%	0.00%

EXAMPLES OF TAX SHIFT

	FACTOR	AVE. SINGLE FAMILY VALUE	AVE. COMM. VALUE	AVE. INDUST. VALUE
		166,544	536,061	517,174
% SHIFT TO CIP				
50%	0.845397	\$ 2,896.20	\$ 16,537.47	\$ 15,954.83
40%	0.876317	\$ 3,002.79	\$ 15,438.55	\$ 14,894.62
30%	0.907238	\$ 3,107.71	\$ 14,334.26	\$ 13,829.25
20%	0.938159	\$ 3,214.30	\$ 13,229.98	\$ 12,763.87
10%	0.969079	\$ 3,319.22	\$ 12,131.05	\$ 11,703.66
SINGLE TAX RATE	1.000000	\$ 3,425.81	\$ 11,026.77	\$ 10,638.28

It is the recommendation of the Board of Assessors that the council again approve a factor of 1.00, a single tax rate. This would yield a tax rate of \$20.57 per thousand valuation

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**FY 2017 EXAMPLES OF ACTUAL TAXES
SINGLE TAX RATE
CHANGE FROM PRIOR YEAR
CHART # 4**

	CONDO	1 FAMILY	2 FAMILY	3 FAMILY	OVER 4 UNIT APARTMENT	COMMERCIAL	INDUSTRIAL
AVERAGE VALUE	\$72,097	\$166,544	\$140,759	\$142,041	\$277,627	\$536,061	\$517,174
AVERAGE TAX	\$ 1,483.04	\$ 3,425.81	\$ 2,895.42	\$ 2,921.79	\$ 5,710.79	\$ 11,026.77	\$ 10,638.28
Last Years Tax	\$1,407.95	\$ 3,299.40	\$ 2,844.29	\$ 2,672.98	\$ 5,573.93	\$ 10,818.76	\$ 10,582.80
Change \$	\$75.09	\$ 126.41	\$51.13	\$248.81	\$136.86	\$ 208.01	\$ 55.48
Change %	5.33%	3.83%	1.80%	9.31%	2.46%	1.92%	0.52%

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\$277,627	\$536,061	\$517,174
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\$ 5,573.93	\$ 10,818.76	\$ 10,582.80
\$136.86	\$ 208.01	\$ 55.48
2.46%	1.92%	0.52%

Classification Factor

- Board of Assessors recommends a factor of 1.0, a single tax rate for all classes of property
- Other Factors
- Tax Wise – How do we compare

Classification Factor

- Board of Assessors recommends a factor of 1.0, a single tax rate for all classes of property
- Tax Wise – How Do We Compare

How Do We Compare

- According to statistics from the DOR **last year:**
- The average single-family property tax bill statewide for FY 2016 was \$ 5,247
- The average single-family property tax bill in Southbridge for FY 2016 was \$3,299
- The average single-family tax bill in Southbridge for 2016 was \$1,948 less than, or 37.1% less than the state average

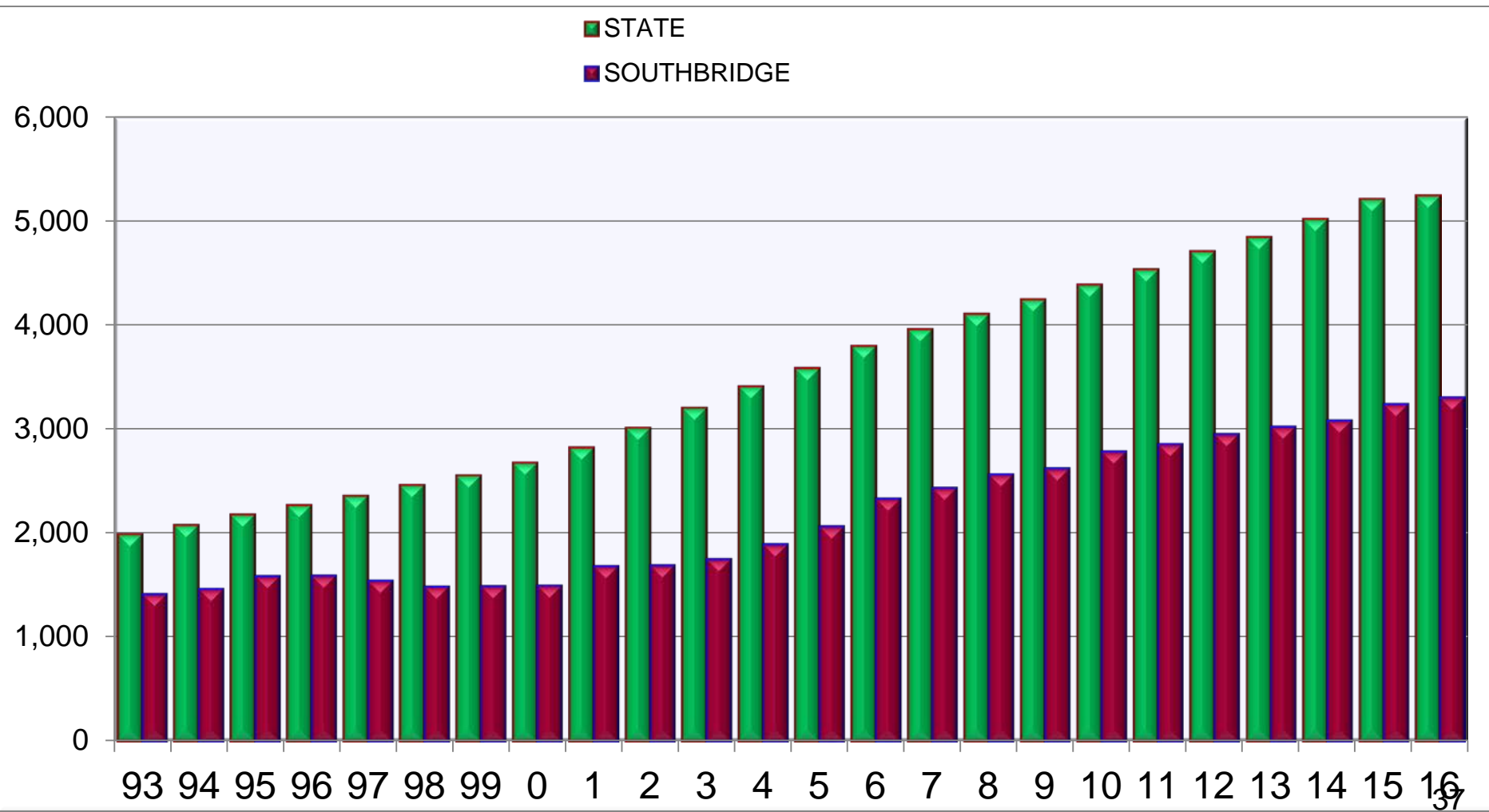
How Do We Compare

- For 2016 Southbridge ranked 284th out of the 338 analyzed communities in the state in regards to the smallest average single family property tax bill. This put us in the lowest 16% in terms of average single family tax burden statewide.
- In 2015 Southbridge ranked 279th.

How Do We Compare

- This year, FY 2017 at a Tax Rate of \$20.57, the average single-family property tax bill in Southbridge will be \$3,425.

Southbridge Average SF Tax Bill vs. State Average



FY 2017 Average SF Tax Bills

Town	Tax Rate	Average Single Family Tax Bill
Southbridge	20.57	3,425
Sturbridge	19.40	5,161+ 3% CPA
Charlton	Not Yet Set	Estimated 3,622
Auburn	18.34 Res/24.16 CIP	4,405
Dudley	11.94	2,761
Webster	Not Yet Set	Estimated 3,616
Ware	20.77	3,588

Tax Exemptions and Help

- Clause 17 D Elderly person or Surviving Spouse (\$175)
- Clause 41C Elderly Person (\$500)
- Various Veterans Exemptions (\$400-Full Exemption)
- Clause 37 Blind Exemption (437.50)
- Clause 18 Hardship (Various)
- Clause 41A Tax Deferral
- Senior Tax Abatement Program
- Information call 508-764-5404

Classification and the Tax Rate



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