



Tax Classification Hearing

November 17, 2015

FY2016

Town of Carver Board of Assessors

Michael L. Paduch, Chair

Peter D. Sullivan, Vice-Chair

Laura A. Shippee, Member

Presented by:

Ellen M. Blanchard, MAA

Purpose of Classification Hearing

- The Selectmen must hold a hearing each year to consider the tax rate options available to the town under property tax classification. (see MGL Ch. 40 Section 56)
- The hearing is held after the assessors have determined final values, classified all properties and reported this information to the DOR.
- The values set the parameters for the options the town may adopt.

Purpose, continued

- The assessors provide the selectmen with the information necessary to make the classification decisions.
- This information should show the impact on the tax rate of the tax policy options.
- The assessors are not required to make recommendations, although they may choose to do so.

Budget and Levy

- The budget is voted on by the registered voters at the annual town meeting.
- Estimated revenues, such as motor vehicle excise, fees, licenses, permits, penalties and interest are deducted from the total budget.
- The remaining amount to be raised is the Levy.

Levy

- The Levy is the revenue the town raises through real and personal property taxes each fiscal year when it sets the tax rate.
- The property tax levy is usually the largest source of revenue cities and towns have to fund their annual budget.

FY2016

- Total Budget \$41,744,381.00
 - Estimated Receipts \$19,879,179.00
 - Tax Levy \$21,899,429.00
-
- The tax levy is then distributed among the different classes.



Classification of Properties

- MGL Ch. 59 Section 2A(b) states that assessors must classify all real property within their jurisdiction into four classes:
- Residential
- Open Space
- Commercial
- Industrial

Property Class Distribution

Property Class	Valuation by Class	% of Total Valuation	% Residential & CIP
Residential	\$ 947,592,643	81.24%	81.24%
Open Space	\$ 0	0.00%	
Commercial	\$ 89,631,077	7.69%	
Industrial	\$ 29,694,000	2.55%	
Personal Property	<u>\$ 99,480,820</u>	<u>8.53%</u>	<u>18.76%</u>
Total Valuation	\$ 1,166,398,540	100.00%	100.00%

Levy Limit Calculation

- The levy limit is the maximum amount the town can levy in a given year.

FY2015 Levy Limit	\$21,085,057
Plus 2 ½%	\$ 527,126
Plus New Growth	\$ 287,247
Plus Debt Exclusion	\$ 0
FY2016 Levy Limit	\$21,899,429

Uniform Tax Rate Calculations

Levy (estimated) =	\$21,899,429
Total Valuation =	\$1,166,398,540
Tax Rate (Levy/Valuation) =	\$18.78

Residential Share of Levy (Levy * 81.24%) =	\$17,795,790
Residential Valuation =	\$947,592,643
Residential Tax Rate (Levy / Res.Val.) =	\$18.78

CIP Share of Levy (Levy * 18.76%) =	\$4,109,175
CIP Valuation =	\$218,805,897
CIP Tax Rate (Levy / CIP Valuation) =	\$18.78



Tax Policy Options

- Single or Split Tax Rate
- Open Space Discount
- Residential Exemption
- Small Commercial Exemption

Average Residential Taxes

Uniform Tax Rate = \$18.78	Average Value = \$267,400 (single family)	\$5,021.77
Tax Rate shifted 130% = \$17.47	\$267,400	\$4,671.48
Tax Rate shifted 140% = \$17.04	\$267,400	\$4,556.50
Tax Rate shifted 150% = \$16.61	\$267,400	\$4,441.51

Average Commercial Taxes

Uniform Tax Rate = \$18.78	Average Commercial Value = \$368,600	\$6,922.31
Tax Rate Shifted 130% = \$24.41	\$368,600	\$8,997.53
Tax Rate Shifted 140% = \$26.29	\$368,600	\$9,690.49
Tax Rate Shifted 150% = \$28.16	\$368,600	\$10,379.78

Calculation of Split (Shifted) Tax Rate (without exemptions)

	MRF @ 93.3378% (130% shift)	MRF @ 91.1170% (140% shift)	MRF @ 88.8963% (150% shift)
Levy	21,899,429	21,899,429	21,899,429
Residential %	75.6132%	73.7373%	71.8613%
NEW Residential Share of Levy	\$16,558,582	\$16,148,038	\$15,737,225
Split Tax Rate Residential	\$17.47	\$17.04	\$16.61
CIP Share of Levy	\$5,340,577	\$5,751,391	\$6,162,205
CIP Value	\$218,805,897	\$218,805,897	\$218,805,897
Split Tax Rate CIP	\$24.41	\$26.29	\$28.16

Open Space Discount & Tax Rate Impact

- The Open Space discount may reduce the amount of the tax levy paid by the open space class by a discount of up to 25%.
- The discount lowers the open space tax rate because the amount of the levy paid by the class is reduced. Those taxes are shifted to the residential class alone, which means a higher residential tax rate.
- There is no land classified as Open Space in the Town of Carver.



Residential Exemption & Tax Rate Impact

- Adopting the residential exemption shifts the tax burden within the Residential class from lower valued properties to higher valued properties. The amount of the tax levy paid by the class remains the same.
- The residential exemption may not exceed 20% of the average assessed value of all Class One Residential properties.
- Residential Values cannot be reduced more than 10% of the full and fair cash values.
- Source: MA DOR Assessment Administration: Law, Procedures and Valuation, Chapter 4, pages 8-9

Residential Exemption & Tax Rate Impact

- To adopt the residential exemption makes sense only if you have a significant percentage of non-owner occupied properties. If most properties are owner-occupied then you are shifting the burden to the higher valued properties, and this divides the residential class into two “warring” groups. The real purpose of the exemption is to shift the tax burden away from “in-towners” to “out-of-towners” in places such as Martha’s Vineyard, Boston, Nantucket and Springfield, where there are a significant number of apartment buildings or expensive second home “cottages”. (There are currently 14 cities and towns that have adopted this exemption.)

Procedure for Residential Exemption

- Determine the averaged assessed value of all Residential parcels.
- The adopted percentage is applied to this amount.
- The assessed value of each residential parcel *that is the DOMICILE of the taxpayer* is then reduced by that amount.

Residential Exemption - Impact to Tax Rate

Uniform Tax Rate	\$18.78	Average Value Residential = \$267,400	Taxes = \$5,021.77
Tax Rate shifted 140%	\$17.04	Average Value Residential = \$267,400	\$4,556.50
Tax Rate Shifted 140% with 10% Res. Exemption	\$17.04	Average Residential Value Adjusted = \$240,660	\$4,100.85
Tax Rate Shifted 140% with 20% Res. Exemption	\$17.04	Average Residential Value Adjusted = \$213,920	\$3,645.20

Small Commercial Exemption

- Eligible businesses are those that have been certified by the Massachusetts Department of Workforce Development and their information is provided to the assessors of each city/town.
- Adopting this exemption increases the commercial and industrial tax rates. The amount of the tax levy remains the same.
- Owners of small businesses would pay lower taxes and shifts the remainder of their levy share to the larger commercial and industrial taxpayers.

Small Commercial Exemption – Of All Small Businesses that Qualify with less than 10 employees, only 12 businesses in Carver qualify for this exemption. The tax rate increases for all commercial and industrial properties.

Percent Exempted	Tax Rate =	140% Shifted	Average Valuation of Exempt Parcels	Less 10% (\$45,450) =
10%	\$26.29	Includes 10% reduction in Valuation	\$454,500	\$409,050 @ \$26.29 = \$10,754

Board of Assessors Recommendations

- Not to adopt the Open Space Discount
- Not to adopt the Small Commercial Exemption
- Not to adopt the Residential Exemption
- Shift Tax Rate 140%