

Classification and the Tax Rate



December 5, 2011

Introduction

- **Board of Assessors**
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Purpose of the Classification Hearing and Options

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

What The Classification Hearing 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
- 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

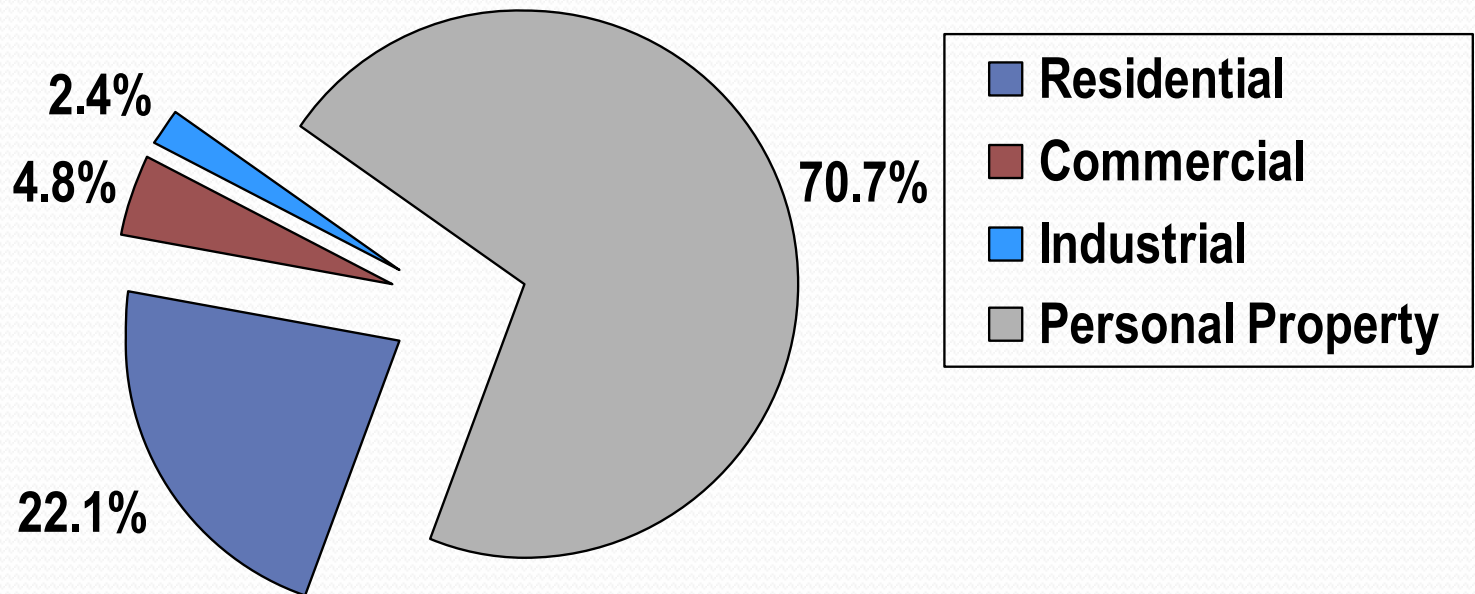
New Growth

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

New Growth

	Taxable Value	Taxes Generated	% of Total
Residential	\$2,678,820	\$45,915	22.1%
Commercial	\$581,400	\$9,965	4.8%
Industrial	\$286,900	\$4,917	2.4%
<u>Personal Property</u>	<u>\$8,568,630</u>	<u>\$146,866</u>	<u>70.7%</u>
Total	\$12,115,750	\$207,763	100.0%

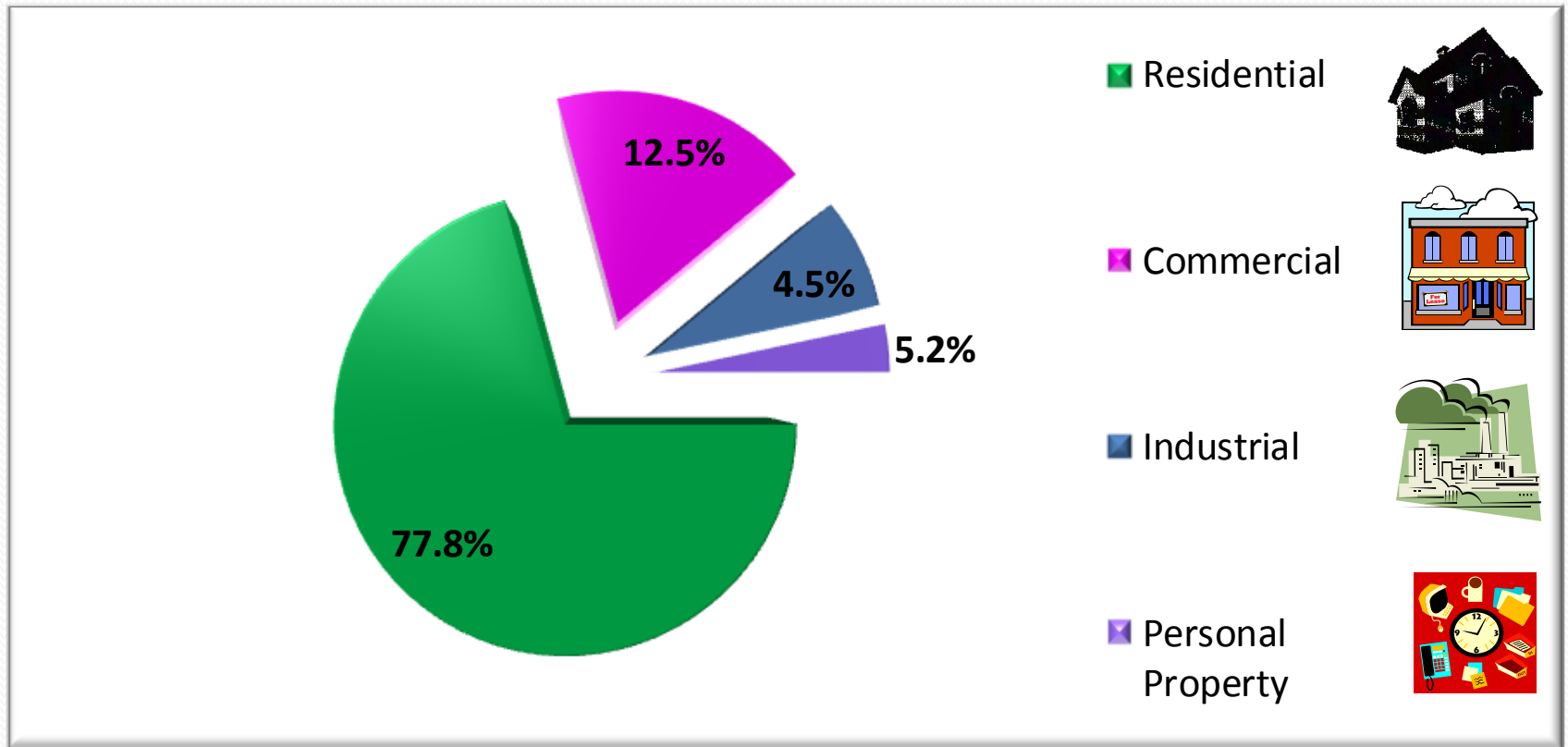
New Growth



2012 Taxable Town Value

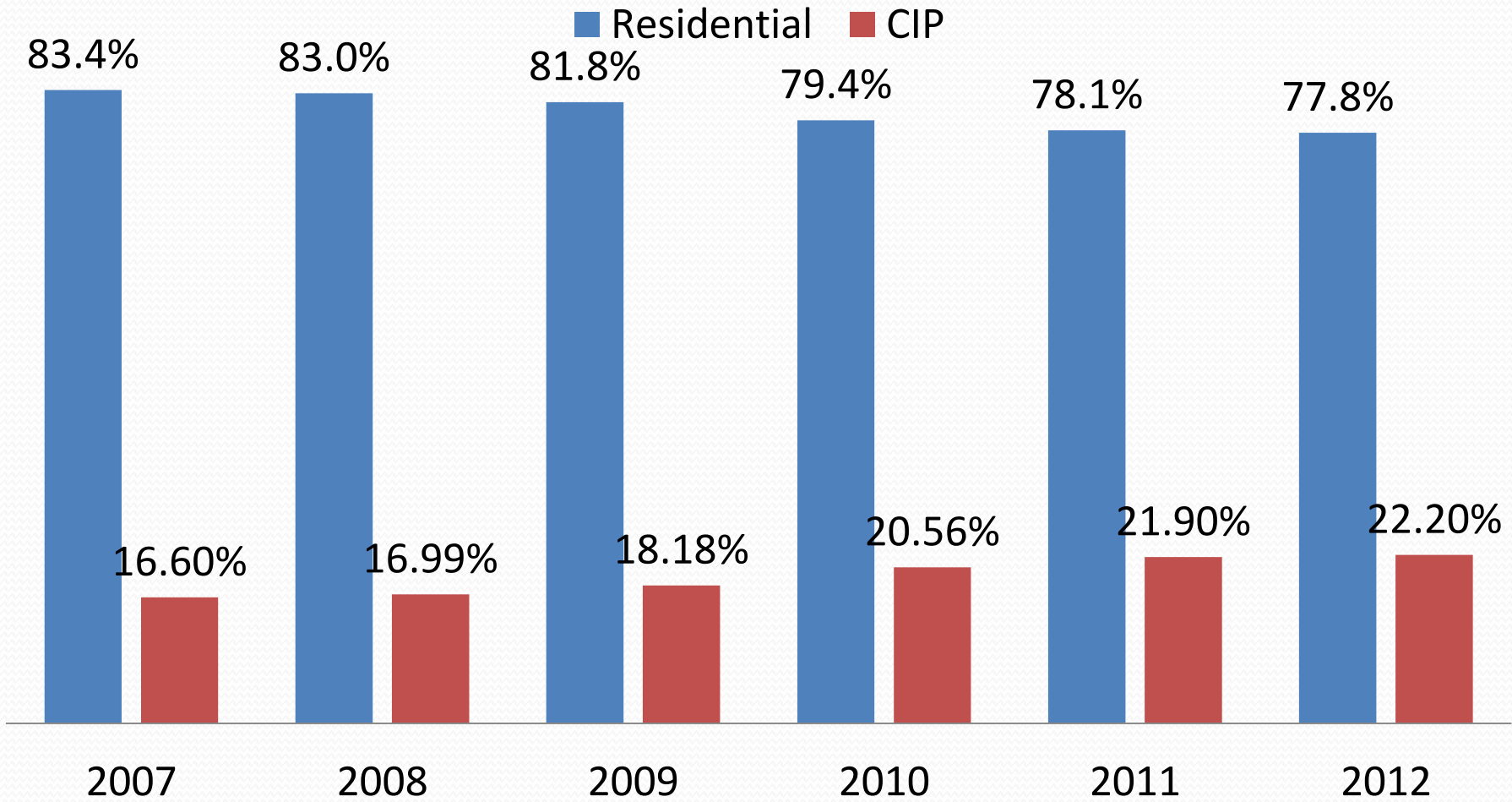
	Taxable Value	% of Total
Residential	\$706,035,950	77.8%
Commercial	\$113,725,831	12.5%
Industrial	\$41,208,000	4.5%
<u>Personal Property</u>	<u>\$46,771,270</u>	<u>5.2%</u>
Total	\$907,741,051	100.0%

2012 Taxable Town Value



2012 Taxable Town Value

FY2007 TO 2012 PROPERTY CLASS BREAKDOWN



Interim Year Adjustments

- Full and Fair Cash Value as of January 1, 2011
- Revaluation / Recertification
- Taxes Based on Proportional Share Of Town Value
- Individual Proportions Change from Year to Year

Valuation Changes

Single Family	-0.5%
Condominium	-11.7%
Two and Three Family	-0.4%
Multi-Family	-0.3%
<u>Land</u>	<u>-1.2%</u>

Total Residential **-0.7%**

Total Commercial **0%**

Total Industrial **0%**

Your 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)	\$53,471,097
Less:	
State Aid Receipts	(\$21,418,109)
Local Receipts	(\$5,618,747)
Enterprise Funds	(6,971,902)
Free Cash, Transfers, Stabilization & Overlay	(3,277,316)
Tax Levy	\$16,185,023

Tax Levy and the Tax Rate

- 2012 Tax Levy \$16,185,023
- 2012 Taxable Value is \$907,741,051
- \$16,185,023 Tax Levy / \$907,741,051 Town Value
Yields a Tax Rate of \$17.83 per \$1,000 of
Assessed Valuation

Tax Levy and the Tax Rate

2012 Tax Levy	\$16,185,023
<u>2011 Tax Levy</u>	<u>\$15,605,008</u>
Overall Increase	\$580,015 or 3.7%
<u>Less New Growth</u>	<u>(\$207,663)</u>
Net Increase	\$372,352 or 2.39%

Levy Limit and Excess Levy Capacity

- Proposition 2 1/2
- What is a levy limit and Maximum Allowable Levy?
- What is excess levy capacity?

Our Levy Limit

FY 2011 Levy Limit	\$15,849,790
2 ½% Increase	\$396,245
<u>FY 2012 New Growth</u>	<u>\$207,663</u>
FY 2012 Levy Limit	\$16,453,698
Elementary School Debt Exclusion	(\$61,799)
	<hr/>
FY 2012 Maximum Allowable Tax Levy	\$16,391,899

Excess Levy Capacity

Fiscal Year	Maximum Allowable Levy	Actual Tax Levy	Excess Levy Capacity
2012	\$16,391,899	\$16,185,023	\$206,876
2011	\$15,785,204	\$15,605,008	\$180,196
2010	\$15,243,912	\$14,787,527	\$456,385
2009	\$14,632,367	\$14,005,310	\$627,057
2008	\$14,041,680	\$13,313,003	\$728,677
2007	\$13,574,309	\$12,920,754	\$653,555

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 .857156
- Council may adopt any factor between 1.0 and .857156
- Factor of 1.0 each class would be taxed at the same rate
- Examples of shift on various classes

FY 2012 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	0.857157	0.885725	0.914294	0.942863	0.971431	1.000000
RESIDENTIAL TAX RATE	15.28	15.79	16.30	16.81	17.32	17.83
COMM./IND. TAX RATE	26.75	24.96	23.18	21.40	19.61	17.83
% SHIFT TO CIP	50.00%	40.00%	30.00%	20.00%	10.00%	0.00%

EXAMPLES OF TAX SHIFT

		AVE. SINGLE		AVE. COMM.		AVE. INDUST.
	FACTOR	FAMILY VALUE		VALUE		VALUE
		165,391		477,810		519,892
% SHIFT TO CIP						
50%	0.857157	\$ 2,527.17		\$ 12,781.42		\$ 13,907.12
40%	0.885725	\$ 2,611.52		\$ 11,926.14		\$ 12,976.51
30%	0.914294	\$ 2,695.87		\$ 11,075.64		\$ 12,051.11
20%	0.942863	\$ 2,780.22		\$ 10,225.14		\$ 11,125.70
10%	0.971431	\$ 2,864.57		\$ 9,369.86		\$ 10,195.09
SINGLE TAX RATE	1.000000	\$ 2,948.92		\$ 8,519.35		\$ 9,269.68

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 \$17.83 per thousand valuation

FY 2012 EXAMPLES OF ACTUAL TAXES

SINGLE TAX RATE

CHART # 4

	CONDO	1 FAMILY	2 FAMILY	3 FAMILY	OVER 4 UNIT APARTMENT	COMMERCIAL	INDUSTRIAL
AVERAGE VALUE	\$77,197	\$165,391	\$145,398	\$134,266	\$277,870	\$477,810	\$519,892
AVERAGE TAX	\$ 1,376.42	\$ 2,948.92	\$ 2,592.44	\$ 2,393.97	\$ 4,954.43	\$ 8,519.35	\$ 9,269.68
Last Years Tax	\$1,499.18	\$ 2,852.30	\$ 2,519.92	\$ 2,310.15	\$ 4,797.00	\$ 8,346.93	\$ 8,971.76
Change \$	-\$122.76	\$ 96.62	\$72.52	\$83.82	\$157.43	\$ 172.42	\$ 297.92
Change %	-8.19%	3.39%	2.88%	3.63%	3.28%	2.07%	3.32%

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 \$17.83 per thousand valuation.

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

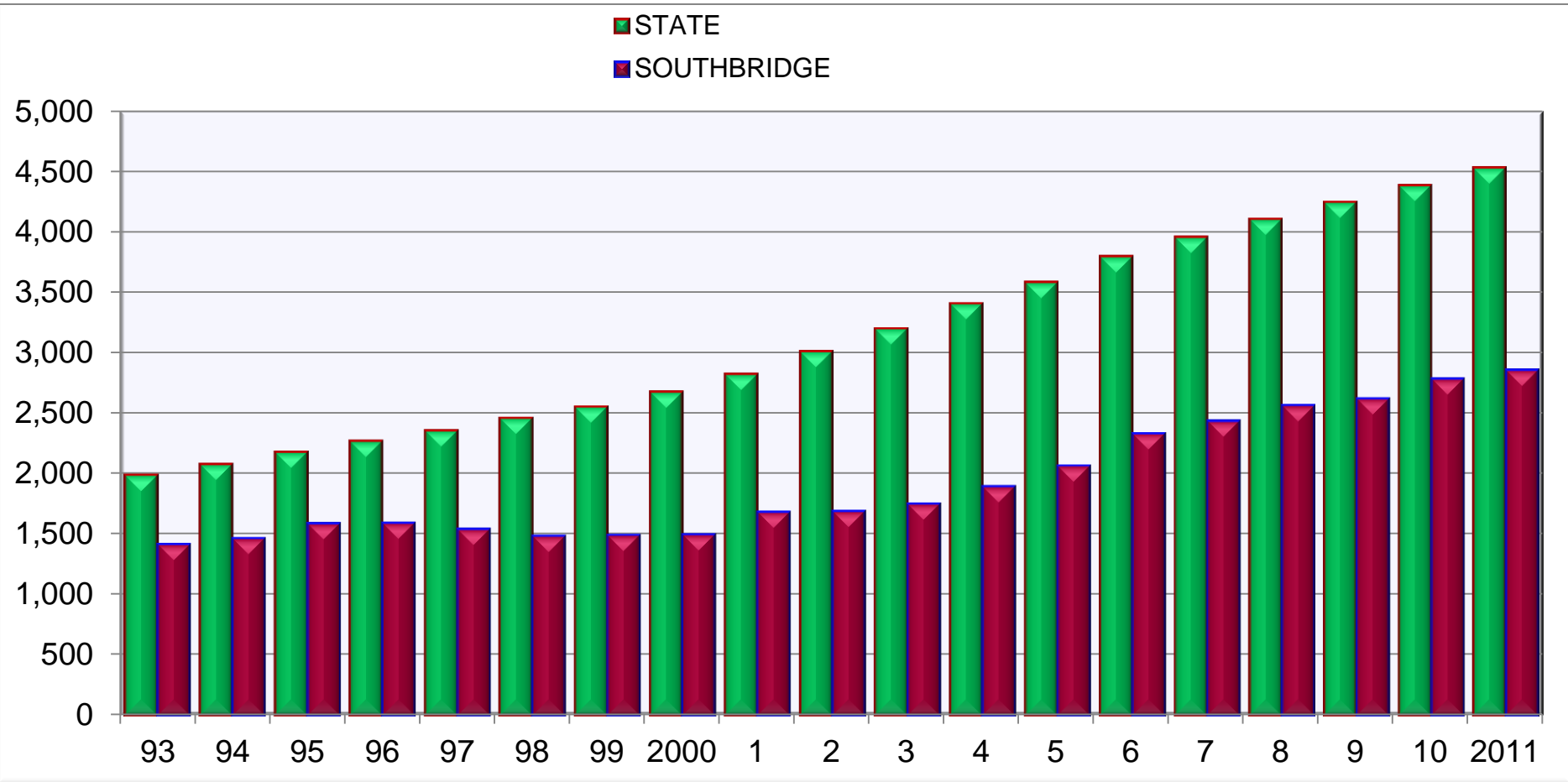
How Do We Compare

- According to statistics from the DOR last year:
- The average single-family property tax bill statewide for FY 2011 was \$ 4,537
- The average single-family property tax bill in Southbridge for FY 2011 was \$2,852
- The average single-family tax bill in Southbridge for 2011 was \$1,685 less than, or 37% less than the state average

How Do We Compare

- For 2011 Southbridge ranked 280th out of the 338 analyzed communities in the state in regards to the smallest average single family tax bill. This put us in the lowest 17.2% in terms of average single family tax burden
- Last year, FY 2011 the average single-family tax bill in Southbridge was \$2,852

Southbridge Average SF Tax Bill vs. State Average



FY 2012 Average SF Tax Bills

Town	Tax Rate	Average Tax Bill
Southbridge	17.83	2,948.92
Sturbridge	17.63	4,552.60 + CPA 3%
Charlton	12.00	3,044.18
Holland	15.18	2,923.73
Dudley	10.90	2,282.46

Tax Rate - In Actual Practice

- Lower is certainly better? But
- The Tax Rate by itself is very misleading.

Town	Tax Rate	Average Tax Bill
Southbridge	17.83	2,948.92
Alford	4.40	2,946.03
Sherborn	18.22	13,333.58
Lincoln	13.81	13,321.88
East Longmeadow	18.85	4,781.42

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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