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TOWN OF ACTON
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Assessors ***INTERDEPARTMENTAL COMMUNICATION***

August 27, 2003

To: John Murray

From: Brian McMullen

Subject: Effects on Overlay of Recent Town Initiatives

Over the past several years, Town meeting approved several changes to our property tax exemption programs that have significantly impacted overlay. Since the annual Town Meeting of April 1999, the voters of Acton have:

- Approved increases in the exemption amount.
- Broadened out the parameters for eligibility.
- Adopted a non-binding resolution requesting the Board of Assessors to be kind and generous to the taxpayers of the community in regarding financial hardship.
- Approved at the April 2003 Town Meeting to increase the amount of certain statutory exemptions by 100%.

These changes have significantly impacted the Overlay. To put this in perspective in FY99 the Assessors granted 179 exemptions for a total amount of $109,572.57. In FY2003 the Assessors granted 166 exemptions for a total of $179,106.15. This represents about a 63% increase in four years.

The Assessors have also seen an increase in the amount of abatement applications filed over the past few years. In FY00 there was a total of 61 abatement applications filed. In FY03 we had 173 abatement applications filed. This is about a 183% increase from FY00.

As we continue to annually assess at full and fair cash value, we must plan for more abatements. The higher level of assessment we maintain (100% for Acton over the last 3 years) the higher number of abatements. It appears that the change in the general economy has also increased the number of inquiries of assessed values, which ultimately results in more appeals.

With all of this said, I think we need to cautiously review and consider the amount of Overlay budgeted for FY04 and seek early input from the Board of Assessors.

Unpaid Receivables

Receivable	6/30/2003	8/31/2002	6/30/2002	3/31/2002	6/30/2001	6/30/2000	6/30/1999	6/30/1998	Avg Amount
Real Estate	265,912.90	386,865.31	345,360.96	434,494.54	505,834.43	330,419.05	188,349.87	291,383.04	354,672.46
Personal Property	89,119.00	87,422.00	83,370.43	73,151.37	84,769.67	84,028.83	81,076.30	77,638.46	81,636.72
Motor Vehicle	343,499.49	237,303.73	297,971.09	753,495.76	402,579.31	362,449.92	313,306.99	227,155.65	370,608.92
Tax Title	521,159.13	710,754.03	628,822.07	563,350.00	690,903.87	705,358.48	674,225.21	666,133.99	662,792.52
Tax Possessions	522,247.20	269,495.16	269,495.16	256,153.00	322,227.32	182,715.11	158,236.67	144,793.74	229,016.59
CH 139 Sec 3a spec assmt								49,061.25	49,061.25
Deferred Property Tax	102,736.84	77,853.95	81,947.25	78,995.11	63,429.08	55,628.02	54,371.19	56,538.60	66,966.17
Taxes in Litigation	425.01	425.01	425.01	425.01	425.01	425.01	425.01	425.01	425.01
Roll Back Tax	194,305.70	17,590.26			10,462.10	10,462.10		5.37	9,629.96
Veterans Aid	6,197.27	5,691.83	6,145.43	6,145.43	5,923.40	8,298.89	10,568.82	5,255.22	6,861.29
Group Insurance	69,758.02			77,644.53	66,319.52	43,235.97	39,678.53	28,309.71	51,037.65
Cemetery Receivable	40,762.00	38,732.00	38,732.00	37,542.00	31,122.00	24,282.00	17,592.00	4,310.00	27,473.14
Fire Dept. Receivable	293.92	293.92	293.92	293.92	293.92	293.92	293.92	293.92	293.92
ATB Cases	455,000.00	405,000.00	280,000.00	125,000.00	125,000.00	125,000.00	85,000.00	10,000.00	165,000.00
Potential Litigation	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
CH 90 (estimated)	200,000.00	200,000.00	200,000.00	200,000.00	171,248.65	465,165.72	582,625.49	62,523.49	268,794.76
Sewer O&M	44,458.16								
Unapportioned Est. Bett.	38,872.00								
Totals	2,944,746.64	2,487,427.20	2,282,563.32	2,656,690.67	2,530,538.28	2,447,763.02	2,255,750.00	1,673,827.45	2,333,508.56
Overlay	2,932,483.08	3,163,601.22	2,667,672.38	2,572,268.79	2,604,314.70	2,206,191.75	1,879,975.51	1,537,773.44	2,160,104.84
Delta	(12,263.56)	676,174.02	385,109.06	(84,421.88)	73,776.42	(241,571.27)	(375,774.49)	(136,054.01)	(173,403.73)

Overlay

Definition:

An annual **non-town meeting** appropriation made for overcharges on assessments, refunds for exemptions, bad debt or other non-collectable tax receivables, such as personal property and tax possessions.

Under M.G.L. CH59 Sec. 23A The Board of Assessors annually appropriate overlay and notify the Town Treasurer of the amounts to be raised.

5 Year History

FY03	$505,530
FY02	$271,606
FY01	$605,145
FY00	$493,816
FY99	$448,890

DOR's Recommendation

Department of Revenues suggested best practice for overlay is 2.5% of the fiscal year's tax levy. Below is Acton's five year history.

	Tax Levy	DOR Recommended Best Practice	Assessors Overlay	Delta
FY03	41,920,809	1,048,020	505,530	**(542,490)**
FY02	40,454,689	1,011,367	271,606	**(739,761)**
FY01	38,118,356	952,958	605,145	**(347,813)**
FY00	34,924,892	873,122	493,816	**(379,306)**
FY99	33,363,729	834,093	448,890	**(385,203)**
Totals		4,719,560	2,324,987	**(2,394,573)**

Acton vs. State Average Overlay as percent of tax Levy

FY	State Avg.	Acton	Acton as a Multiplier of State Avg.
03	1.54%	1.21%	.76
02	1.63%	.67%	.41
01	1.88%	1.59%	.85
00	1.90%	1.41%	.74
99	1.99%	1.35%	.68

Overlay Deficits

FY	Amount		FY	Amount
90	35,075.99		**97**	5,944.75
91	24,879.00		**98**	18,720.55
92	43,614.10		**99**	0
93	63,199.70		**00**	0
94	26,393.99		**01**	0
95	102,710.00		**02**	0
96	35,174.30		**03**	0
			Total	$355,712.38

The above deficits are raised in addition to the Assessor's approved overlay amount.

Overlay Surplus

M.G.L CH 59 sec. 25

State law requires the Board of Assessors to determine the amount of overlay which can be transferred to overlay surplus.

DOR has directed Assessors should only declare an overlay surplus when the amounts in overlay for **all** years **exceeds** the potential liabilities against these amounts for **all** years.

Overlay Surplus Cont…

In their calculations the assessors must consider:

- Overlay accounts for the current and all previous years.
- All pending Appellate Tax Board and court cases that relate.
- Certify as excess only the amount of overlay that <u>exceeds</u> the sum of <u>all</u> potential liabilities.
- Overlays are only considered as an aggregate amount for the purposes of determining overlay surplus only.