TOWN OF ACTON
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Brian McMullen
Assessor

November 26, 2014

To: Board of Selectmen

Re: Tax Classification Hearing

Please note that Monday night's Tax Classification hearing will be the presentation only. The state Department of Revenue has not certified the Town's FY15 values as of today and we'll need to put off the formal vote(s) until December 15th when, at which time, we expect final values.

Sincerely,

Brian McMullen
Principal Assessor

Town of Acton
Classification Hearing - FY 2015
December 1, 2014

Board of Assessors

Carol Leipner-Srebnick, Chairman
Susan Miller
Gary Yu

Selectmen’s Decisions

Requiring 4 votes

1. Adopt a “Residential Factor”

Shifting the tax burden (tax rate) between the “R” (Residential) and the “CIP” (Commercial, Industrial & Personal Property) classes.

Selectmen's Decisions

Requiring 4 votes

2. Adopt an "Open Space Discount"
3. Adopt a "Residential Exemption"
4. Adopt a "Small Commercial Exemption"

Adopt a "Residential Factor"

(Shifting the Tax Burden)

- Determine percentages of tax levy to be paid by each property class.
- Acton may shift 50% additional taxes to the "CIP" class
- Adoption of a Residential factor of 1. (No shift) - all property is taxed at the same rate.
- Adoption of a Residential factor < 1.0 (shift) results in increasing the "CIP" percentage of the tax levy
- Prior Year (FY14) Vote = NO

Example (1) of Shifting the Tax Burden

Average Single Family Valuation **531,639**

	No Shift	5% Shift	10% Shift	20% Shift
Tax Rate	19.13	19.00	18.88	18.62
Tax Bill	10,170	10,101	10,037	9,899
Savings	~	-69	-133	-271

Year to Year Comparison

Average SFR Valuation/Tax Bill Comparison

	FY14	FY15	Diff	% Chng
Valuation	$505,494	$531,639	$ 26,145	5.2%
Tax Rate	$ 19.45	$ 19.13	$ (0.32)	-1.6%
Tax Bill	$ 9,832	$10,170	$ 338	3.4%

Example (2) of Shifting the Tax Burden

Average Commercial Valuation $ 806,523

	No Shift	5% Shift	10% Shift	20% Shift
Tax Rate	19.13	20.08	21.04	22.95
Tax Bill	15,429	16,194	16,969	18,510
Added Tax	~	765	1,540	3,081

Year to Year Comparison

Average Commercial/Industrial Valuation: $855,579

	FY14	FY15	Diff	% Chng
Valuation	853,747	855,579	$ 1,832	0.2%
Tax Rate	$ 19.45	$ 19.13	$ (0.32)	-1.6%
Tax Bill	$ 16,605	$ 16,367	$ (238)	-1.4%

Adopt an “Residential Factor”

- A factor of less than 1.0 shifts the Tax burden to the CIP classes
- Acton’s Residential Factor for FY14 was 1.0 resulting in a uniform tax rate

Adopt an "Open Space" discount

- Acton has no parcels classified as Open Space.
- Prior Year (FY14) Vote = NO

Adopt a "Residential Exemption"

- Reduces the taxable value of a taxpayer's principal residence with certain exclusions.
- May be up to 20% of the average assessed value of all residential parcels. Exemption is recovered by increasing the tax levy on the balance of the residential parcels.
- Prior Year (FY14) Vote = NO

Adopt a "Small Commercial Exemption"

- Reduces the taxable value of eligible businesses by up to 10% .
- "Eligible businesses" are determined by the Department of Employment and Training.
- Commercial and Industrial classes given a separate rate of tax from Personal Property.
- Residential and Open Space discounts not affected.
- Exemption is recovered by increasing the tax levy upon the balance of commercial and industrial parcels.
- Prior Year (FY14) Vote = NO

In Summary

Selectmen's Decisions

Requiring 4 votes

1. Adopt a "Residential Factor"
2. Adopt an "Open Space Discount"
3. Adopt a "Residential Exemption"
4. Adopt a "Small Commercial Exemption"

Town of Acton
Classification Hearing - FY 2015
December 1, 2014

Thank you

Board of Assessors

Massachusetts Department of Revenue *Division of Local Services*
Amy A. Pitter, Commissioner Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

Informational Guideline Release

Bureau of Local Assessment
Informational Guideline Release (IGR) No. 14-401
April 2014

FISCAL YEAR 2015
GUIDELINES FOR ANNUAL ASSESSMENT AND ALLOCATION OF TAX LEVY

(G.L. c. 40, § 56; c. 58, § 1A; c. 59, §§ 2A, 5C and 5I)

This Informational Guideline Release (IGR) provides assessors and other local officials with information regarding the annual determination of property assessments, classification of property according to usage class, calculation of the minimum residential factor and allocation of the tax levy among the property classes for Fiscal Year 2015.

It addresses the requirements to be met and procedures to be followed by local officials in all communities before setting a FY15 tax rate, including standards for triennial certification and interim year valuation adjustments. The revised standards found in *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014) apply for FY15.

The following forms referenced in the IGR will be included in the *FY15 Tax Rate Recap, Pro Forma Recap and Supporting Forms* materials (Recap Program Instructions) issued by the Bureau of Accounts this summer: "LA-15 Interim Year Adjustment Report," LA-4 "Assessment/Classification Report," LA-5 "Classification Tax Allocation" and LA-7 "Minimum Residential Factor Computation." **The Division of Local Services (DLS) requires assessors to use Gateway Online for submitting these forms.**

Questions should be referred to the Bureau of Local Assessment.

Topical Index Key:	Distribution:
Assessment Administration	Assessors
Classification and Taxation by Use	Mayors/Selectmen
Exemptions	City/Town Councils
Valuation	

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GUIDELINES FOR ANNUAL ASSESSMENT AND ALLOCATION OF TAX LEVY

Informational Guideline Release (IGR) No. 14-401
April 2014

FISCAL YEAR 2015
GUIDELINES FOR ANNUAL ASSESSMENT AND ALLOCATION OF TAX LEVY

(G.L. c. 40, § 56; c. 58, § 1A; c. 59, §§ 2A, 5C and 5I)

Property is assessed for local tax purposes at its full and fair cash value as of January 1 of each year. The Commissioner of Revenue must review and certify a community's assessments every three years, or other year as she may schedule, as meeting legal standards. Adjustments to assessments made in years between this certification to reflect changes in market conditions must also meet legal standards, although they are not certified by the Commissioner.

Once a community is certified as assessing property at full and fair cash value, local officials are required to determine for the fiscal year of certification, and the fiscal years that follow until the next scheduled certification, the percentages of the tax levy to be borne by each class of real property: residential, open space, commercial and industrial, and by personal property for that year. This decision is to be made after holding a public hearing.

These guidelines set forth requirements and procedures that provide the Commissioner with a framework within which she may fulfill her responsibility to review local assessments, determine whether the assessments reflect full and fair cash value as of January 1, 2014 for Fiscal Year 2015 and ensure a majority of the board of assessors is qualified to classify property. In the performance of this responsibility, the Commissioner may require such information from and action by assessors and may modify these requirements and procedures, as appropriate, in order to recognize circumstances unique to each city and town in the Commonwealth.

These guidelines also establish the requirements and procedures that cities and towns not scheduled for certification of their assessments as of January 1, 2014 must follow for making valuation adjustments and allocating the tax levy in FY15.

GUIDELINES:

I. ESTABLISHMENT OF ASSESSMENTS

The Board of Assessors must determine the assessed value of all taxable real and personal property as of January 1, 2014, as required by G.L. c. 59, § 38. Annual assessments must generally comply with the minimum standards set forth in Bureau of Local Assessment guidelines, *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014).

BUREAU OF LOCAL ASSESSMENT JOANNE GRAZIANO, CHIEF

A. Triennial Certification

The Bureau of Local Assessment will review proposed FY15 assessments of cities and towns that (1) were certified as assessing property at full and fair cash value as of January 1, 2011 for FY12 and (2) are scheduled by the Commissioner for certification of values in FY15. G.L. c. 40, § 56.

Scheduled communities must take whatever steps are necessary to ensure the timely implementation of values that satisfy certification requirements or be subject to the exercise of the Commissioner's enforcement powers. G.L. c. 58, §§ 4-4C. Division of Local Services Bulletin 2014-02B, *Realistic Planning for Recertification and Tax Rate Setting* (February 2014), should be reviewed to ensure communities establish realistic timetables for recertification and tax rate setting and meet the key dates applicable for FY15.

If a community's assessments do not satisfy minimum certification requirements, the Commissioner may require the city or town to meet those requirements in accordance with an approved program and timetable.

1. Revaluation Plan

All communities scheduled to meet FY15 certification requirements must submit a workplan for meeting those requirements to the Bureau of Local Assessment for review and approval.

2. Certification Review

As described in Bureau of Local Assessment guidelines, *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014), the certification review will consist of: (a) preliminary field review, (b) procedural audit of valuation practices, (c) statistical analysis, (d) public disclosure program and (e) final certification and classification review.

As a general rule, the review will be conducted in the sequence and manner described below, with the preliminary field review and procedural audit being conducted throughout the revaluation as certain program components are completed.

a. Preliminary Field Review

The Bureau of Local Assessment advisor/appraiser will review with the Board of Assessors or designated staff member the following:

(1) The guidelines for documentation to support proposed assessments and valuation methods.

(2) The assessors' program plan in light of the directives from the previous certification review.

(3) The results of any data quality studies conducted.

(4) The advisor's findings on quality of data and adequacy of tax maps.

(5) The assessors' progress in researching market, cost, and income data for use in the reassessment program.

(6) The assessors' progress toward the timely completion of the proposed certification effort.

b. Procedural Audit Review

The Bureau of Local Assessment will conduct an on-site procedural audit review of the appraisal methods used to develop the proposed assessments and of a representative sample of proposed assessments in the major property classes. The purpose of this review is to determine if the assessors have developed and implemented an acceptable mass appraisal system using appropriate and reasonable valuation methods and to ensure the uniform and consistent application of that system.

The assessors must provide documentation to support the methodologies used to develop the proposed assessments, as specified in Bureau of Local Assessment guidelines, *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014). Specifically, the following appraisal documentation may be required during the review:

(1) Residential Property - Documentation would include, but not necessarily be limited to: sales analyses, pricing and depreciation schedules, valuation models with associated performance statistics, valuation system override criteria and field review records.

(2) Land - Documentation must include land sales and/or residuals used to develop the valuation schedules applied to all improved and vacant land parcels.

(3) Commercial and Industrial Property - Documentation must indicate a consideration of the three approaches to value: market, cost and income, and must provide the basis for the methodologies applied. The development and application of a second approach to value will be required for all properties that are purchased and sold based upon an investor's expectations and should correlate within 15 percent. Those properties include, but are not necessarily limited to, the following: primarily commercial multiple use properties; apartments over four units; hotels and motels; storage, warehouse and distribution facilities; discount and department stores; shopping centers and malls; supermarkets; small retail properties; office buildings, medical office buildings; research and development facilities; and properties within industrial parks.

(4) Personal Property - Documentation must indicate the basis for the valuation methodology employed.

(a) Gas and Electric Transmission and Distribution Systems - Documentation must also address the impact of government regulation on the value of system property. Values for locally assessed utilities (Class Code 504) that are not based on the reported net book values require the submission of appraisal documentation for support. This supporting data must: (i) identify the existence of special circumstances that might indicate a fair market value in excess of net book cost and (ii) show why, because of the existence of these special circumstances, a buyer would not be influenced by the net book cost of the property and reasonably could be expected to pay the value placed on the property by the assessors when by investing the same dollars elsewhere, the buyer could obtain a better return on its investment. *Boston Gas Company v. Assessors of Boston*, 458 Mass. 715 (2011)(Valuation methodology giving equal weight to net book value and reproduction cost new less depreciation of utility personal property upheld where evidence showed that (1) the Department of Public Utilities no longer follows a strict carry-over rate base regulatory policy so that a buyer may be able to earn a return on any acquisition premium paid for the utility assets, i.e., any amount paid above net book, and (2) sales activity in the marketplace indicates that, in practice, purchasers of utility property have paid substantially more than net book value.).

(b) Electric Generation Plants - Documentation must meet the requirements set forth in Bureau of Local Assessment guidelines on the valuation of deregulated electric power generation facilities. Refer to IGR No. 98-403, *Valuation and Taxation of Electric Generating Property* (September 1998), as modified by Bulletin 2005-11B, *Electric Generating Assessment/Classification Report* (July 2005), which eliminated submission of Form LA-4W "Assessment/Classification Worksheet" (for electric generation plants).

(5) State Owned Land – Documentation must meet the requirements set forth in Bureau of Local Assessment guidelines set forth in Bureau of Local Assessment guidelines, *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014), for exempt land owned by the state or held for watershed purposes for which reimbursement is received under G.L. c. 58, §§ 13-15 or G.L. c. 59, § 5G.

c. Statistical Analysis

The Bureau of Local Assessment will conduct a statistical analysis of arms-length residential sales. For the Bureau to conduct this analysis, the assessors must submit the Form LA-3 "Property Sales Reports" through Gateway Online.

A median assessment-sales ratio (ASR) and coefficient of dispersion (COD) about the median will be calculated for single-family residential properties by the Bureau. The Bureau will also calculate a separate median ASR and COD for two family, three family, condominium, apartment, and vacant land residential properties if the tax base has a significant number of those types of properties.

In order for the Bureau to complete the preliminary certification review, the sales analysis must indicate the following for each type of property for which there is a sufficient sales sample as set forth in Bureau of Local Assessment guidelines, *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014):

Type	Use Classes	Median ASR (Range)	COD (Maximum)
Single-family	101	90-110%	10%
Condominiums	102	90-110%	10%
Two-family	104	90-110%	12%
Three-family	105	90-110%	12%
Multiple Dwellings	109	90-110%	15%
Apartments	111-112	90-110%	15%
Vacant Land	130-132	90-110%	20%
Commercial	300s	90-110%	20%
Industrial	400s	90-110%	20%
Mixed Use	013-031	90-110%	20%

In addition, the difference in the median ASR of the residential property type with the largest number of parcels and that of any other type of residential property analyzed should be five percent or less, but may not be less than 90 percent or more than 110 percent. Sales stratification and other statistical analyses are required as specified in Bureau of Local Assessment guidelines, *Certification Standards (Guidelines for Development of a Minimum Reassessment Program)* (March 2014).

d. Public Disclosure Program

Upon successful completion of the preliminary field review, the procedural audit review and the statistical analysis, the Bureau of Local Assessment will notify the assessors in writing that they may proceed with an appropriate public disclosure program for providing taxpayers with information on the proposed assessments. The assessors must provide the notice of a general reassessment program to all taxpayers by a comprehensive public information release in a newspaper of general circulation in the community. The public disclosure period can begin only after the newspaper notice has been published.

e. Final Certification and Classification Review

After completion of the public disclosure program, the assessors will determine the final assessments and classifications as of January 1, 2014. See Section II-A below. The assessors must then request a final certification and classification review by submitting to the Bureau of Local Assessment:

(1) Any changes to assessed values as a result of public disclosure should be made before submission of Form LA-10 "Assessment Adjustment List" and not through the abatement process. Form LA-10 should be completed and submitted, along with a copy of the public disclosure notice, through Gateway Online. Form LA-10 and the notice may also be submitted to the Bureau of Local Assessment certification advisor directly by faxing them to the Bureau.

(2) The total valuation of each class of real property and of personal property on Form LA-4 "Assessment/Classification Report." See Section II-B below. The form must be submitted using Gateway Online.

The Bureau of Local Assessment will conduct a review to ensure that the final assessments and classifications are uniform and consistent with statutory requirements.

B. Interim Year Valuations

In cities and towns not scheduled for certification review, the assessors must adjust valuations to reflect changes in the tax base due to new construction, alterations, demolitions, etc. **If there has been a change in market conditions, assessors must also adjust their valuation schedules for FY15 so that all property valuations reflect full and fair cash value as of January 1, 2014.**

1. Valuation Adjustment Plan

The assessors may undertake or complete a valuation adjustment program without the prior review or approval of the Bureau of Local Assessment. Appropriate appraisal methods must be used to develop any valuation adjustments. After completion of the program, the community's FY15 assessments must be equitable and consistent within and between all property classes, as evidenced by conformity with accepted mass appraisal measures of assessment level and uniformity.

Documentation to support any valuation changes must be prepared and retained by the assessors. This documentation might include, for example, income, expense and capitalization rate analyses, sales ratio studies or any other data that support the type and extent of the valuation changes made by the assessors.

2. Valuation Adjustment Report

All assessors must submit their Forms LA-3 "Property Sales Reports" and LA-15 "Interim Year Adjustment Report" through Gateway Online. These forms should be submitted as early as possible during the tax rate process, but no later than the time the Form LA-4 "Assessment/Classification Report" is submitted. See Section II-B below. The Bureau may request more detailed information as it deems necessary to evaluate assessment level and uniformity.

II. DETERMINATION OF USAGE CLASSIFICATION AND TOTAL VALUATION

A. Real Property Classification

The assessors must determine the usage classification of all real property as of January 1, 2014 in accordance with the definitions set forth in G.L. c. 59, § 2A(b):

Class One,	Residential
Class Two,	Open Space
Class Three,	Commercial
Class Four,	Industrial

1. The assessors must designate an individual property's usage class in accordance with the *Property Type Classification Codes* (March 2014) issued by the Bureau of Local Assessment.

2. Real property of utilities is subject to local property taxation and must be classified as Class Four, Industrial. Personal property of utilities is included in the total valuation of personal property.

   The valuation attributable to a payment in lieu of tax agreement or transition payment for a deregulated electric generating facility must be classified as real or personal property and further designated in accordance with the *Property Type Classification Codes* (March 2014).

3. Forest land as defined in G.L. c. 61, agricultural or horticultural land as defined in G.L. c. 61A and recreational land as defined in G.L. c. 61B must be valued at use value according to the provisions of those statutes. All forest, agricultural or horticultural, or recreational land use valuations must be included in the total valuation of the commercial class and taxed at the commercial rate, G.L. c. 61, § 3; G.L. c. 61A, § 4 and G.L. c. 61B, § 2, unless the community has accepted the applicable local option to classify and tax the land as open space. G.L. c. 61, § 2A; G.L. c. 61A, § 4A and G.L. c. 61B, § 2A.

4. Classification of property as Class Two, Open Space, is determined by the assessors as of January first of each year, and does not require application by the property owner. The open space class may include any land that is maintained in an open or natural condition and contributes significantly to the benefit and enjoyment of the public so long as it is not held for the production of income. However, land that qualifies as forest, agricultural or horticultural, or recreational land under G.L. c. 61, G.L. c. 61A and G.L. c. 61B is included even if it produces income, but only if the community has accepted the applicable local option to classify and tax the land as open space. G.L. c. 61, § 2A; G.L. c. 61A, § 4A and G.L. c. 61B, § 2A.

5. Where real property is used or held for more than one purpose and those uses result in different classifications, the assessors must allocate to each classification the percentage of the full and fair cash valuation of the property devoted to each use according to the guidelines in the *Property Type Classification Codes* (March 2014). G.L. c. 59, § 2A(b).

6. Real property that is exempt from taxation under G.L. c. 59, § 5 or otherwise, must also be classified according to the same guidelines. G.L. c. 59, § 2A(b).

B. Total Valuation

After assessments are determined as of January 1, 2014 to reflect changes in value, usage classification and/or tax base, the assessors must submit to the Bureau of Local Assessment:

1. The total valuation of each class of real property and of personal property on Form LA-4 "Assessment/Classification Report." The form must be submitted using Gateway Online.

   At the same time, the assessors may also submit a proposed Tax Rate Recapitulation Sheet and Form LA-5 "Classification Tax Allocation" to the Bureau of Accounts. If submitted at this time, the Form LA-5 and Tax Rate Recapitulation Sheet should indicate the tax levy percentages expected to be adopted by local officials. If not submitted at this time, the Form LA-5 and Tax Rate Recapitulation Sheet will be submitted to the Bureau of Accounts after the public hearing has been held and the levy percentages have been adopted. See Section V-A below.

2. Tax base growth on Forms LA-13 and 13A "Tax Base Growth Report." Refer to Bureau of Local Assessment IGR No. 14-402 *Fiscal Year 2015 Guidelines for Determining Annual Levy Limit Increase for Tax Base Growth* (March 2014) for further instructions.

III. DETERMINATION OF MINIMUM RESIDENTIAL FACTOR AND CERTIFICATION

A. Minimum Residential Factor

1. Based upon the total taxable valuation of each class of real property and of personal property as submitted by the assessors, the Commissioner will determine a minimum residential factor for each city and town certified as assessing property at full and fair cash valuation as scheduled by the Commissioner. G.L. c. 58, § 1A; G.L. c. 40, § 56.

    a. The minimum residential factor will be 65 percent subject to the upward adjustment required to provide that the percentage of the total tax levy imposed on any class of real or on personal property will not exceed 150 percent of the full and fair cash valuation of its taxable property divided by the full and fair cash valuation of all taxable real and personal property in the city or town.

        If adoption of that minimum residential factor would result in a residential levy percentage higher than in FY14, however, the factor will be 50 percent subject to the upward adjustment required to provide that the residential levy percentage will not fall below the lowest residential levy percentage imposed since the community was first certified as assessing at full and fair cash value and the percentage of the total tax levy imposed on any class of real or on personal property will not exceed 175 percent of the full and fair cash valuation of its taxable real and personal property divided by the full and fair cash valuation of all taxable real and personal property in the city or town.

    b. In no instance may the minimum residential factor determined by the Commissioner be greater than 100 percent, although a city or town may adopt a residential factor greater than that amount. See Section IV-B below.

2. The statutory formula explained above uses the percentage share of the tax levy that each class of real property and that personal property bears to the total to establish the limits within which a community may shift the tax burden from residential and open space property to commercial, industrial and personal property. By adopting a residential factor either at or above the minimum established by the Commissioner, a city or town is assured that the tax levies for each class of real and for personal property will fall within the limits prescribed by law.

B. Annual Certification

The Commissioner will then certify, in writing, to the Board of Assessors:

1. The total taxable value of each of the four classes of real property and of personal property as of January 1, 2014.

2. The minimum residential factor for FY15.

3. The determination that a majority of the assessors in a community subject to FY15 triennial certification requirements are qualified to classify property. G.L. c. 59, § 2A(c).

    a. The Board of Assessors will be deemed qualified if a majority of the current board has attended a classification training session conducted by the Bureau of Local Assessment, or completed the computer based training (CBT) version of the classification training session and submits evidence of completion. If not so qualified, the member or members necessary to constitute a majority must complete a training session in order for the Board to be qualified.

    b. The dates, times and locations of the training sessions to be conducted by the Bureau for FY15 will be provided to the Boards of Assessors. The CBT program can be downloaded from the Division of Local Service web site or is available on disk from the Bureau of Local Assessment.

IV. ALLOCATION OF LOCAL TAX LEVY

A. Public Hearing

After the assessors receive the Commissioner's certifications, the Board of Selectmen or Town Council of each town or the City Council of each city must conduct a public hearing on the issue of allocating the local property tax levy among the four classes of real property and of personal property for FY15. G.L. c. 40, § 56.

1. The public hearing called by the Selectmen or City Council must comply with the requirements of the Open Meeting Law, as supplemented by local by-law or ordinance.

2. Local officials must provide notice of the conduct of the hearing to taxpayers by a comprehensive public information release in a newspaper of general circulation in the community, as well as in any other appropriate news media. The release should provide the date, time and place of the public hearing, should provide information

regarding the policy decisions available, and should indicate the manner by which interested taxpayers may present oral or written information on their views. In providing notice and conducting the public hearing, local officials should further the legislative intent to provide an open forum for the discussion of local property tax policy.

The assessors should also provide notice of any reassessment or valuation adjustment program to taxpayers by having included in the release information on the basis of the valuation changes and the program's overall effect on assessments or by issuing a separate release prior to tax billing that provides that information.

3. At the public hearing, the assessors must provide all information and data relevant to making a decision on allocating the tax levy including the fiscal effect of the available alternatives.

   The statutory formula for determining the allocation of the tax levy among the four classes of real property: residential, open space, commercial and industrial, and personal property is set forth in G.L. c. 40, § 56. By adapting the allocation formula to the circumstances of their city or town, the assessors can provide the information required for the public hearing.

B. Adoption of Residential Factor

After holding the public hearing, the Board of Selectmen or Town Council in a town, or the City Council, together with the approval of the Mayor, in a city, must determine the percentages of the tax levy to be paid by each class of real property and by personal property for FY15. G.L. c. 40, § 56.

1. In determining those percentages, the Selectmen, Town Council or City Council, together with the Mayor's approval, must first adopt a residential factor. In a city, if the Mayor vetoes the City Council's factor, the City Council may override the veto with a vote equal to two-thirds of the members elected. The residential factor adopted must be an amount not less than the minimum residential factor calculated by the Commissioner. See Section III-A above.

2. The residential factor adopted by a community governs the percentage of the tax levy to be paid by residential property owners. If local officials choose a low residential factor, (for example, the statutory minimum) residential property owners will pay a proportionately lower share of the total levy. A residential factor of "1" will result in the taxation of all property at the same rate. The statute permits a city or town to adopt a residential factor greater than 100 percent, which would have the effect of decreasing the commercial, industrial, and personal property tax rates and increasing the rates for residential and open space property. G.L. c. 58, § 1A.

3. When determining the residential factor, local officials may select a percentage for Class Two, Open Space, that may not be less than 75 percent of its full and fair cash value percentage. The residential class alone absorbs any discount applied to the open space class.

4. The percentages to be paid by the remaining classes of real and by personal property owners can be calculated according to the provisions of G.L. c. 40, § 56, using the residential and open space factors.

C. Residential Exemption

1. At the option of the Board of Selectmen or Mayor, with the approval of the City Council, an exemption of not more than 20 percent of the average assessed value of all Class One, Residential, parcels may be applied to residential parcels that are the principal residence of the property taxpayer as used by the taxpayer for state income tax purposes as of January 1, 2014. G.L. c. 59, § 5C.

2. Principal residence is ordinarily the residence in which a property taxpayer lives. It is the taxpayer's domicile, that is, his fixed place of habitation, permanent home or legal residence. Therefore, Class One, Residential, parcels not eligible for the residential exemption would include accessory land incidental to a residential use, summer homes, or residential property not occupied by the owner, such as apartments.

3. The application of the residential exemption, in addition to any other exemptions allowable under G.L. c. 59, § 5, may not reduce the taxable value of the property to less than 10 percent of its full and fair cash value, except through the application of the hardship exemption found in G.L. c. 59, § 5, Cl. 18 and the exemption for paraplegic veterans and their surviving spouses provided under G.L. c. 58, § 8A.

D. Small Commercial Exemption

1. At the option of the Board of Selectmen or Mayor, with the approval of the City Council, an exemption of any percentage up to 10 may be applied to Class Three, Commercial, parcels that are (1) occupied as of January 1, 2014 by a business with an average annual employment of no more than ten during calendar year 2013, and (2) have a valuation of less than one million dollars. G.L. c. 59, § 5I.

2. Businesses certified by the Director of the Department of Workforce Development as having had an average annual employment of ten or fewer people at all locations during calendar year 2013 qualify for the exemption. If a sole proprietorship or partnership occupying the parcel on January 1, 2014 does not appear on the certified list, the assessors may determine whether it met the employment criterion for calendar year 2013. In all other cases, however, the assessors must rely exclusively on the Director's certification in determining whether a business qualifies for the exemption.

The Director will provide the assessors with a list of businesses that met the employment criterion for calendar year 2013 by July 1, 2014. G.L. c. 151A, § 64A. The list of eligible businesses is not a public record. It may be used by the assessors and their staff only to administer the small commercial exemption. If any of the assessors or their staff uses the list for other purposes or discloses any of the listed businesses to people outside the assessors' office, they may be fined one hundred dollars.

3. The commercial parcel does not have to be owned by the occupying business or any other eligible business. If a parcel has multiple commercial occupants or tenants, all occupants must be eligible businesses. If a parcel is multiple use, such as a residential and commercial property, all occupants of the commercial portion must be eligible businesses.

4. The parcel must have a valuation of less than one million dollars before the application of any small commercial exemption. The exemption applies to a specific parcel occupied by an eligible business, not to the eligible business itself. Therefore, if any particular eligible business occupies more than one parcel, each under one million dollars in value, each parcel would qualify for the exemption.

V. APPROVAL OF LOCAL TAX RATE

A. Submission of Final Reports

Once the public hearing has been held and the percentages of the tax levy to be paid by each class of real property and by personal property have been determined, the assessors must submit Form LA-5, "Classification Tax Allocation," and a copy of the notice of the public hearing, to the Bureau of Accounts.

B. Approval of Tax Rates

Upon the Commissioner's determination that the percentages meet statutory requirements and the public hearing has been held, the assessors will submit to the Bureau of Accounts the local tax rates for final approval using the total valuations, as certified by the Commissioner, and the percentages of the tax levy, as determined by local officials.

1. The Bureau of Accounts will approve the setting of a FY15 tax rate when all of the requirements explained above and all other requirements applicable to the setting of the tax rate have been met.

   In order to establish realistic timetables for meeting all requirements and ensuring the timely setting of the tax rate, Division of Local Services Bulletin 2014-02B, *Realistic Planning for Recertification and Tax Rate Setting* (February 2014), should be reviewed for the key dates applicable in FY15.

2. The form and content of tax bills for cities and towns using a classified tax system must conform to the requirements established by the Commissioner of Revenue

   a. Cities and towns using a quarterly tax payment system under G.L. c. 59, § 57C should refer to Bureau of Municipal Finance Law IGR No. 14-204, *Fiscal Year 2015 Tax Bills Quarterly Tax Payment System* (February 2014).

   b. Cities and towns using a semi-annual preliminary tax payment system under G.L. c. 59, § 57C should refer to Bureau of Municipal Finance Law IGR No. 14-203, *Fiscal Year 2015 Tax Bills Semi-annual Payment System Annual Preliminary Bills* (February 2014).

   c. Cities and towns using a semi-annual payment system and opting to issue preliminary tax bills for FY15 under G.L. c. 59, § 23D should refer to Bureau of Municipal Finance Law IGR No. 14-202, *Fiscal Year 2015 Tax Bills Semi-annual Payment System Optional Preliminary Bills* (February 2014).

   d. All other cities and towns using a semi-annual payment system should refer to Bureau of Municipal Finance Law IGR No. 13-201, *Fiscal Year 2015 Tax Bills Semi-annual Payment System* (February 2014).

ANNUAL ASSESSMENT AND LEVY ALLOCATION PROCESS: STEP BY STEP SUMMARY

NOTE:** Step applies only in a triennial certification year.

Assessors

1. Analyze current market and determine if adjustments to valuation schedules required.

** 2. Submit reassessment workplan, including any related professional services contracts if requested, to the Bureau of Local Assessment for review and approval.

** 3. Meet with Bureau of Local Assessment certification advisor.

4. Vote to request authorization to issue semi-annual preliminary tax bills by August 15, if needed.

5. Establish full and fair cash values for all properties.

** 6. Request certification from Bureau of Local Assessment by submitting Forms LA-3 "Property Sales Reports" through Gateway Online (LA3 Tab, Certification Section).

Bureau of Local Assessment

** 7. Conduct statistical analysis of sales and determine if minimum statistical certification requirements are met.

** 8. Conduct preliminary field review.

** 9. Notify assessors whether valuation system and proposed assessments are in compliance with minimum certification requirements and if so, authorize them to mail impact notices and hold informal hearings, or conduct another appropriate public disclosure program.

Assessors

** 10. Conduct appropriate public disclosure program.

11. Determine final valuations for all properties.

12. Classify all real property according to use.

13. Submit, in interim years, to the Bureau of Local Assessment Form LA-3"Property Sales Reports," through Gateway Online (LA3 Tab, Interim Year Process Section) in order to generate and submit"LA-15 Interim Year Adjustment Report."

** 14. Submit to the Bureau of Local Assessment a list of properties with certain valuation changes resulting from public disclosure program on Form LA-10 "Assessment Adjustment List" along with copy of public disclosure notice through Gateway Online (Certification Tab).

15. Submit to the Bureau of Local Assessment the total valuations for each class of real property and for personal property on Form LA-4 "Assessment/ Classification Report" through Gateway Online (Tax Rate Tab). May also submit to the Bureau of Accounts a proposed Form LA-5 "Classification Tax Allocation" and "Tax Rate Recapitulation Sheet" through Gateway Online (Tax Rate Tab).

16. Submit to the Bureau of Local Assessment tax base growth on Forms LA-13 and 13A "Tax Base Growth Report" through Gateway Online (Tax Rate Tab).

<u>Bureau of Local Assessment</u>

** 17. Review assessment changes and classifications.

** 18. Determine that proposed property assessments meet minimum certification requirements of full and fair cash value, real property has been classified according to use and a majority of the assessors are qualified to classify property.

19. Certify tax base growth and notify assessors.

<u>Assessors</u>

20. Determine the minimum residential factor using Gateway Online or Automated Recap Program.

<u>Selectmen or City Council</u>

21. Call and hold public hearing on classification.

<u>Assessors</u>

22. Present data on impact of classification options.

23. Notify selectmen or mayor and city council of any excess levy capacity.

Selectmen or City Council with Approval of Mayor

24. Adopt residential factor.

25. Decide whether to grant open space discount.

26. Determine whether excess levy capacity is consistent with community fiscal affairs.

Selectmen or Mayor with Approval of City Council

27. Decide whether to grant residential exemption.

28. Decide whether to grant small commercial exemption.

Assessors

29. Submit tax rate recapitulation sheet to Bureau of Accounts if not done previously.

Bureau of Accounts

30. Certify tax rate(s).

Assessors

31. Prepare tax commitment and verify total value for each class reconciles with tax rate recapitulation sheet.

32. Issue commitment, with warrant to collect taxes, to the collector.

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Assessed Value by Class

($ MIL)

CLASS	2010	2011	2012	2013	2014	2015	% Change 14 - 15
Residential	3,257.5	3,174.7	3185.2	3,208.1	3,248.0	3,448.5	6.17%
Open Space	0.0	0.0	0	0.0	0.0	0.0	0.00%
Commercial	321.1	309.2	299.2	312.9	305.9	303.7	-0.72%
Industrial	97.9	91.0	91.8	94.2	92.8	91.4	-1.51%
Personal Property	64.9	65.9	65.3	63.9	69.9	62.2	-11.02%
TOTALS	3,741.4	3,640.8	3,641.5	3,679.1	3,716.6	3,905.8	5.09%

("Mixed Use" valuations have been included in the appropriate classes)

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Percentage of Total Valuation

	2008	2009	2010	2011	2012	2013	2014	2015
R & O (**R**esidential & **O**pen Space)	86.6%	86.7%	87.1%	87.2%	87.5%	87.2%	87.4%	88.3%
C I P (**C**ommercial, **I**ndustrial, **P**ersonal Property)	13.4%	13.3%	12.9%	12.8%	12.5%	12.8%	12.6%	11.7%

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Number of Parcels

CLASS	2010	2011	2012	2013	2014	2015	% Change 14- 15
Residential	7817	7,853	7881	7,919	7,957	8,031	0.93%
Mixed Use	46	46	46	45	43	43	0.00%
Commercial	367	364	362	364	364	363	-0.27%
Industrial	112	108	108	105	103	103	0.00%
Personal Property	243	330	322	311	367	348	-5.18%
Exempt	439	439	439	445	450	450	0.00%
TOTALS	9024	9,140	9158	9,189	9,284	9,338	0.58%

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Average Parcel Value by Class

CLASS	2010	2011	2012	2013	2014	2015	% Change 14 - 15
Residential	415,149	402,707	402,621	403,508	406,622	427,755	5.20%
Mixed Use	499,220	510,587	507,387	513,971	520,860	566,793	8.82%
Commercial	846,527	819,014	796,136	831,661	813,516	806,523	-0.86%
Industrial	872,125	840,418	848,584	894,885	899,477	885,044	-1.60%
Personal Property	267,013	199,830	202,847	205,544	189,670	178,614	-5.83%

Average Values in Residential Class by Segment

SEGMENT	2010	2011	2012	2013	2014	2015	% Change 14 - 15
Single Family	512,103	500,492	499,163	505,237	505,494	531,639	5.17%
Condominium	258,238	244,887	250,035	241,058	249,515	264,566	6.03%
2 Family	430,140	427,936	417,553	386,939	397,953	414,988	4.28%
3 Family	512,950	480,627	463,440	421,673	434,947	446,793	2.72%
Apartments	1,868,278	1,860,202	1,845,757	1,893,740	1,954,494	2,210,553	13.10%
Vacant Land	53,743	47,459	46,377	44,413	41,456	45,337	9.36%

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Total Residential Value	3,448,511,074	88.3% #
Total Commercial Value	303,720,173	7.8%
Total Industrial Value	91,365,090	2.3%
Total Pers. Prop. Value	62,157,821	1.6%
	3,905,754,158	100.0% #

FY '15
Levy Amount
74,717,077

	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Residential Percentage of Levy	88.2932%	87.7078% #	87.1226%	86.5372%	85.9519%
Commercial Percentage of Levy	7.7762%	8.1650%	8.5538%	8.9426%	9.3314%
Industrail Percentage of Levy	2.3392%	2.4562%	2.5731%	2.6901%	2.8070%
Pers. Prop. Percentage of Levy	1.5914%	1.6710%	1.7505%	1.8301%	1.9097%
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%

Residential Factor	100.00%	99.34%	98.67%	98.01%	97.35%

	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Residential $ Share of Levy	65,970,097	65,532,704	65,095,460	64,658,066	64,220,747
Commercial $ Share of Levy	5,810,149	6,100,649	6,391,149	6,681,649	6,972,149
Industrial $ Share of Levy	1,747,782	1,835,201	1,922,545	2,009,964	2,097,308
Pers. Prop. $ Share of Levy	1,189,048	1,248,522	1,307,922	1,367,397	1,426,872
	74,717,076	74,717,076	74,717,076	74,717,076	74,717,076

	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Residential Tax Rate	19.13	19.00	18.88	18.74	18.62
Commercial Tax Rate	19.13	20.08	21.04	21.99	22.95
Industrial Tax Rate	19.13	20.08	21.04	21.99	22.95
Pers. Prop. Tax Rate	19.13	20.08	21.04	21.99	22.95

Dollar change in Tax Rate from 14 to proposed 15 Rates ...	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Residential ($19.45 last year)	$ (0.32)	$ (0.45)	$ (0.57)	$ (0.71)	$ (0.83)
C I P ($19.45 last year)	$ (0.32)	$ 0.63	$ 1.59	$ 2.54	$ 3.50

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	Fiscal Year 2014			Fiscal Year 2015	
FY '14 vs. FY '15	Average Value	Avg. Tax Bill	Tax Rate was	Average Value	Value change
Average Single Family Home	505,494	9,831.86	19.45	531,639	5.17%
Average Residential Condominium	249,515	4,853.07	19.45	264,566	6.03%
"Average Residential"	406,622	7,908.80	19.45	427,755	5.20%
"Average Commercial / Industrial"	871,734	16,955.23	19.45	855,579	-1.85%
Average Commercial	813,516	15,822.89	19.45	806,523	-0.86%
Average Industrial	899,477	17,494.83	19.45	885,044	-1.60%

Percentage change in Tax Rate from 14 to proposed 15 Rates ...	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Residential ($19.45 last year)	-1.65%	-2.31%	-2.93%	-3.65%	-4.27%
C I P ($19.45 last year)	-1.65%	3.24%	8.17%	13.06%	17.99%

Proposed FY 15 Tax Bill (Using updated average values for FY 14)	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Average Single Family Home	10,170.26	10,101.15	10,037.35	9,962.92	9,899.13
Average Residential Condominium	5,061.15	5,026.76	4,995.01	4,957.97	4,926.23
"Average Residential"	8,182.94	8,127.34	8,076.01	8,016.12	7,964.79
"Average Commercial / Industrial"	16,367.23	17,180.03	18,001.39	18,814.19	19,635.55
Average Commercial	15,428.78	16,194.98	16,969.24	17,735.44	18,509.70
Average Industrial	16,930.89	17,771.68	18,621.32	19,462.11	20,311.75

Average Dollar change to Tax Bill (Using updated avg. values for 14)	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Average Single Family Home	338.40	269.29	205.49	131.06	67.27
Average Residential Condominium	208.08	173.69	141.94	104.90	73.16
"Average Residential"	274.14	218.54	167.21	107.32	55.99
"Average Commercial / Industrial"	-588.00	224.80	1,046.16	1,858.96	2,680.32
Average Commercial	-394.11	372.09	1,146.35	1,912.55	2,686.81
Average Industrial	-563.94	276.85	1,126.49	1,967.28	2,816.92

Average % change to Tax Bill (Using updated avg. values for 14)	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
Average Single Family Home	3.44%	2.74%	2.09%	1.33%	0.68%
Average Residential Condominium	4.29%	3.58%	2.92%	2.16%	1.51%
"Average Residential"	3.47%	2.76%	2.11%	1.36%	0.71%
"Average Commercial / Industrial"	-3.47%	1.33%	6.17%	10.96%	15.81%
Average Commercial	-2.49%	2.35%	7.24%	12.09%	16.98%
Average Industrial	-3.22%	1.58%	6.44%	11.24%	16.10%

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CONSTANT VALUE ANALYSIS

FY 2015 Tax Bills based on ...		2015 Tax Bill
Single Family Home valued at	500,000	9,565.00
Residential Condo valued at	250,000	4,782.50
Typical Commercial valued at	750,000	14,347.50
Typical Industrial valued at	1,000,000	19,130.00

FY 2015 Tax Bills (Dollars)	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
$500,000 Single Family	9,565.00	9,500.00	9,440.00	9,370.00	9,310.00
$250,000 Residential Condo	4,782.50	4,750.00	4,720.00	4,685.00	4,655.00
$750,000 Commercial Property	14,347.50	15,060.00	15,780.00	16,492.50	17,212.50
$1,000,000 Industrial Property	19,130.00	20,080.00	21,040.00	21,990.00	22,950.00

Change in Tax Bills, FY14 - FY15 ($)	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
$500,000 Single Family	0.00	-65.00	-125.00	-195.00	-255.00
$250,000 Residential Condo	0.00	-32.50	-62.50	-97.50	-127.50
$750,000 Commercial Property	0.00	712.50	1,432.50	2,145.00	2,865.00
$1,000,000 Industrial Property	0.00	950.00	1,910.00	2,860.00	3,820.00

Change in Tax Bills, FY14 - FY15 (%)	NO SHIFT	5% Shift	10% Shift	15% Shift	20% Shift
$500,000 Single Family	0.00%	-0.68%	-1.31%	-2.04%	-2.67%
$250,000 Residential Condo	0.00%	-0.68%	-1.31%	-2.04%	-2.67%
$750,000 Commercial Property	0.00%	4.97%	9.98%	14.95%	19.97%
$1,000,000 Industrial Property	0.00%	4.97%	9.98%	14.95%	19.97%