



**Town of Amherst  
December 7th, 2015  
Classification Presentation and  
Selection of Minimum  
Residential Factor for  
Fiscal Year 2016**

**Presented by  
Amherst Board of Assessors**

**Carl Mailler  
John Kick  
Jeffrey Morgan**

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**David W. Burgess  
Principal Assessor**

The information contained in this handout is intended to provide the Select Board members with information necessary to conduct a public hearing on the classification options available under Massachusetts General Law. The classification amendment allows the Select Board members to consider several options that will be explained further along in the handout. Additionally, the decision of the Select Board members for each of the options must be submitted to the state's Department of Revenue on form LA 5.

The options presented for consideration are:

- Selection of a Minimum Residential Factor
- Selection of a discount for Open Space
- Granting of a residential and / or small commercial exemption

### **Selection of a residential factor**

The Select Board members have the option of selecting a factor of '1' which in effect, would adopt a single tax rate for all residential, (R) commercial, industrial and personal property, (CIP) classes instead of shifting some of the tax burden off of the residential class and onto the CIP classes. If a factor of '1' were to be adopted, the single tax rate for all classes would be \$21.22. This rate is determined by dividing the tax levy by the total value of all taxable property in Amherst and then multiplying that result by 1000.

**Levy:** \$46,686,579/Value (total assessed value of all property classes): \$2,200,466,300 = (.02122) x 1000 = Tax Rate \$21.22

### **Chapter 200**

In accordance with the provisions of MGL Chapter 200, the Select Board members can choose to split the tax rate by shifting some of the tax burden from the residential class to the CIP classes of property. This results in a lower residential tax rate and a higher rate for the CIP sector.

In choosing to split the tax rate, the Select Board members must remain cognizant of two important limitations contained within Chapter 200:

- 1) The residential tax burden cannot fall below 50% of the tax burden prior to shifting, and
- 2) The CIP sector cannot absorb more than 150% of their tax burden prior to the shift.

The table below summarizes the tax rate impact at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL %	CIP %	RESIDENTIAL TAX RATE	CIP TAX RATE
1	100	89.7792	10.2208	21.22	21.22
1.25	97.1523	87.2225	12.7775	20.61	26.52
<b>1.50</b>	<b>94.3098</b>	<b>84.6688</b>	<b>15.3312</b>	<b>20.01</b>	<b>31.83</b>

(Bold print represents the maximum allowable shift capacity)

It is important to note that although the board is effectively choosing the CIP shift factor, it is technically selecting the Residential Factor in column two that is the result of selecting the CIP shift illustrated in the first column. The next two columns indicate the respective share of the tax burden resulting from the corresponding shift factor. The final two columns present the anticipated tax rates for each class.

For your information, the average single family home value for fiscal year 2016 is \$333,500. In consideration of the value, the table below summarizes the anticipated FY 2016 average tax bill amounts at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL PERCENTAGE	RESIDENTIAL TAX RATE	EST. FY16 TAX BILL
1	100	89.7792	21.22	6,842
1.25	97.1523	87.2225	20.61	6,649
<b>1.50</b>	<b>94.3078</b>	<b>84.6688</b>	<b>20.01</b>	<b>6,456</b>

(Bold print represents the maximum allowable shift available for FY2016)

Additionally, the average commercial property valuation for FY 2016 is \$437,400. The table below summarizes the anticipated FY2016 average tax bill.

CIP SHIFT	FACTOR	CIP PERCENTAGE	CIP TAX RATE	EST. FY16 TAX BILL
1	100	10.2208	21.22	7,627
1.25	97.1523	12.7775	26.52	9,520
<b>1.50</b>	<b>94.3078</b>	<b>15.3312</b>	<b>31.83</b>	<b>11,418</b>

(Bold print represents the maximum allowable shift available for FY2016)

If the intent of the Select Board members were to afford residential taxpayers the lowest possible share of the tax burden allowed under state law for fiscal year 2016, then your minimum residential factor selection would be 84.3078 which would result in the following anticipated tax rates:

<b>RESIDENTIAL TAX RATE</b>	<b>COMMERCIAL, INDUSTRIAL &amp; PERSONAL PROPERTY TAX RATE</b>
\$20.01	\$31.83

The results of the adoption of the aforementioned minimum residential factor as compared to last year's average tax bills are outlined in the following table:

<b>AVERAGE TAX BILL COMPARISON FY 2015 TO FY 2016</b>	
FY2015 Avg. single family home value	\$333,100
FY2015 Avg. single family tax bill (\$20.54 )	6,842.00
FY2015 Avg. commercial property value	\$371,300
FY2015 Avg. commercial property tax bill(\$20.54)	7,627
FY2016 Avg. single family home value	\$333,500
FY2016 Avg. single family tax bill (\$21.22 )	7,078
FY2016 Avg. commercial property value	\$437,400
FY2016 Avg. commercial property tax bill(\$21.22)	9,282.35
FY2016 Tax rate difference	0.68
FY2016 Avg. single family tax bill difference	\$236 or 3.4%
FY2016 Avg. commercial tax bill difference	*\$1,665 or 21.83%
<b>PROJECTED FY 2015 TAX BILLING @ 150 CIP SHIFT</b>	
Projected FY2016 residential rate	\$20.01
Projected FY2016 C.I.P. Rate	\$31.83
Projected FY2016 avg. residential tax	\$6,673
Projected FY2016 residential savings	\$405 or 6%
Projected FY2016 Average tax	\$13,922
Projected FY2016 commercial cost	\$4,640 or 50%

\*The large change in the commercial tax is because the 50 individual parcels at the Carriage Shops combined into 1 parcel with the same value.

Note: this figure will be lowered next year as the commercial value of the Carriage Shops will be lowered with 80% of the new building being residential.

## **Selection of a Discount for Open Space**

Massachusetts General Law, Chapter 59, section 2a Defines class 2 open space as:

"Land which is not otherwise classified and which is not taxable under provisions of Chapter 61A or 61B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public."

A maximum exemption of 25% may be adopted for all property that is classified as Open Space. The Town of Amherst has never voted a discount for open space in the past since no properties have been identified which fulfill the requirements of this section.

## **Granting a Residential and/or Small Commercial Exemption**

### Residential

The Select Board members may adopt a residential exemption for all residential properties in the town that are owner occupied. The exemption amount would be 20% of the average assessed value of all properties eligible to be taxed at the residential tax rate, including vacant parcels as part of the total parcel count.

Although the thought of granting a residential exemption to owner occupied residential properties appears to be a form of tax relief, this is not the case in Amherst. It is true that some properties would receive tax relief through the adoption of this measure. However, since the tax levy remains the same and since it only shifts the tax burden within the residential class, the overall residential tax rate would increase substantially to compensate for this form of tax relief. In our case the tax rate would rise from \$21.22 to an estimate of \$24.60.

According to the mechanics of this exemption, the tax burden for those owner occupied properties below the breakeven point would be decreased. For all other residential properties, the tax burden would increase. This would include all non-owner occupied residential properties and vacant land, as well as all owner occupied properties above the breakeven point since the exemption is deducted after the application of the much higher residential tax rate. Additionally, more assessing staff would be needed to accomplish the implementation and maintenance of this exemption.

The residential exemption has been adopted by only a handful of communities in the commonwealth including Boston, Cambridge, Chelsea and Brookline and has never been adopted by Amherst. On a cautionary note, adoption of a residential exemption will significantly raise the residential tax rate while providing benefit **ONLY** to those properties that are valued below the exemption's breakeven point.

## Commercial

An exemption of up to 10% of the property valuation can be granted to commercial (not industrial) properties that meet the requirements set forth under the law. To qualify, eligible businesses must have occupied the property as of January 1, 2015 and must have had no more than 10 employees as certified by the Department of Employment and Training during the previous calendar year and the building must have a valuation of less than \$1,000,000. A business which is one of several businesses within a commercial building would not be eligible for an exemption unless every business in that property qualified as well. Similar to the residential exemption, the levy does not change and the exemption is borne within the commercial class resulting in an overall increase of the CIP tax rate. The assessing department is unaware of any qualifying business properties in the town.

### **Additional Information**

#### **Property Classes:**

We have four classes of property and each contains different items.

**Residential Class:** In this class we have all the single family, condominiums, and apartments even those that are large complexes and those part of a mixed use property.

**Commercial Class:** This class includes all the commercial properties such as retail, medical offices, gas stations etc. But it also includes agricultural, forest and recreation land that comes under Chapter 61.

**Industrial Class:** Our smallest class and has only a few properties including property owned by WMECO, and land that falls in areas zoned industrial.

**Personal Property:** Personal Property is mostly the property owned by business and the contents of second homes or apartments owned by the real estate owner or business owner. Amherst adopted an exemption of \$5,000 for personal property so most small business owners and landlords are exempt. The biggest taxpayers are the utilities and the phone companies.

Further attached are some additional exhibits which you may find of interest.

**Exhibit A** is a form LA 4 that gives a breakdown of the various classes of property and their respective total valuations and parcel counts. This form must be reviewed and approved on an annual basis by the state's Department of Revenue.

The column entitled "Property Type" on the LA 4 contains the various classes of properties. The properties in the 100-series are the various types of residential properties in the community. The 300-

series are commercial properties and the 400-series are industrial properties. The 012-043 represent mixed use commercial/residential properties and the 500-series are personal property accounts. All properties in the 100-series are taxed at the residential tax rate; all others are taxed at the CIP tax rate.

**Exhibit B** is the form used to determine the town's levy limit for FY 2016. Since the levy limit uses the prior year's levy as a basis, the FY 2015 levy limit calculation is listed in section one of the form. The formula for calculating FY 2016's limit is illustrated in section two, which takes last year's limit plus 2.5% plus new growth and any overrides or dept exclusions voted by the public. That total is the maximum allowable levy.

**Exhibit C** will provide you with some helpful definitions of some terms discussed as part of classification