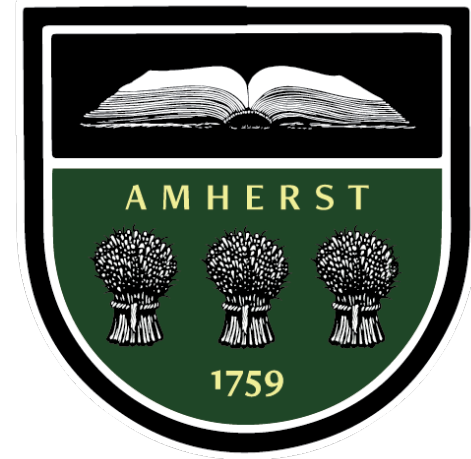


TOWN OF AMHERST FY2022 TAX CLASSIFICATION PUBLIC HEARING



OCTOBER 4TH 2021

DAVID BURGESS, INTERIM ASSESSOR

RICH MORSE, BOARD OF ASSESSORS CHAIRMAN

KEN HARGREAVES, BOARD OF ASSESSORS

LEE HINES, BOARD OF ASSESSORS

TAX POLICY OPTIONS

- Single or split tax rate
- Exemption options:
 - Open Space Discount
 - Small Commercial Exemption
 - Residential Exemption

PROCESS OVERVIEW

- Total assessed values are determined
- A public hearing must be held before the Council makes a decision on the rate/tax policy options
- The Assessor provides the necessary information to the Council to make the classification decisions
- The Assessor and the Town Manager are not required to make a recommendation although they may choose to do so

MGL CH.40, §56 (EXCERPTS)

“The selectmen or town council of each town and the city council together with the mayor's approval in each city, which city or town has been certified by the commissioner of revenue to be assessing property at full and fair cash valuation, shall annually first determine the percentages of the local tax levy to be borne by each class of real property, ...”

“In determining such percentages, the selectmen, town council or the city council, together with the mayor's approval, as the case may be, shall first adopt a residential factor; provided, however, that if the mayor vetoes the city council's factor, in a city, the city council may override such veto with a vote equal to two-thirds of the members elected.”

“Said factor shall be an amount not less than the minimum residential factor determined by the commissioner of revenue in accordance with the provisions of section one A of chapter fifty-eight and shall be used by the board of assessors to determine the percentages of the local tax levy to be borne by each class of real and personal property.”

“Prior to the adoption of such percentages, the selectmen, town council or the city council, as the case may be, shall conduct a public hearing on the question of their adoption. At such hearing, the board of assessors shall provide all information and data relevant to making such determination and the fiscal effect of the available alternatives.”

TAX CLASSIFICATION PUBLIC HEARING

The Classification Act passed in 1978 requires municipalities to classify real and personal property into one of four classes according to use:

Residential

Commercial

Industrial

Personal Property

Municipalities that are certified by the DOR as assessing property at its full and fair cash value may elect to shift the tax burden among the major property classes within certain limits established by law.

DEFINITIONS:

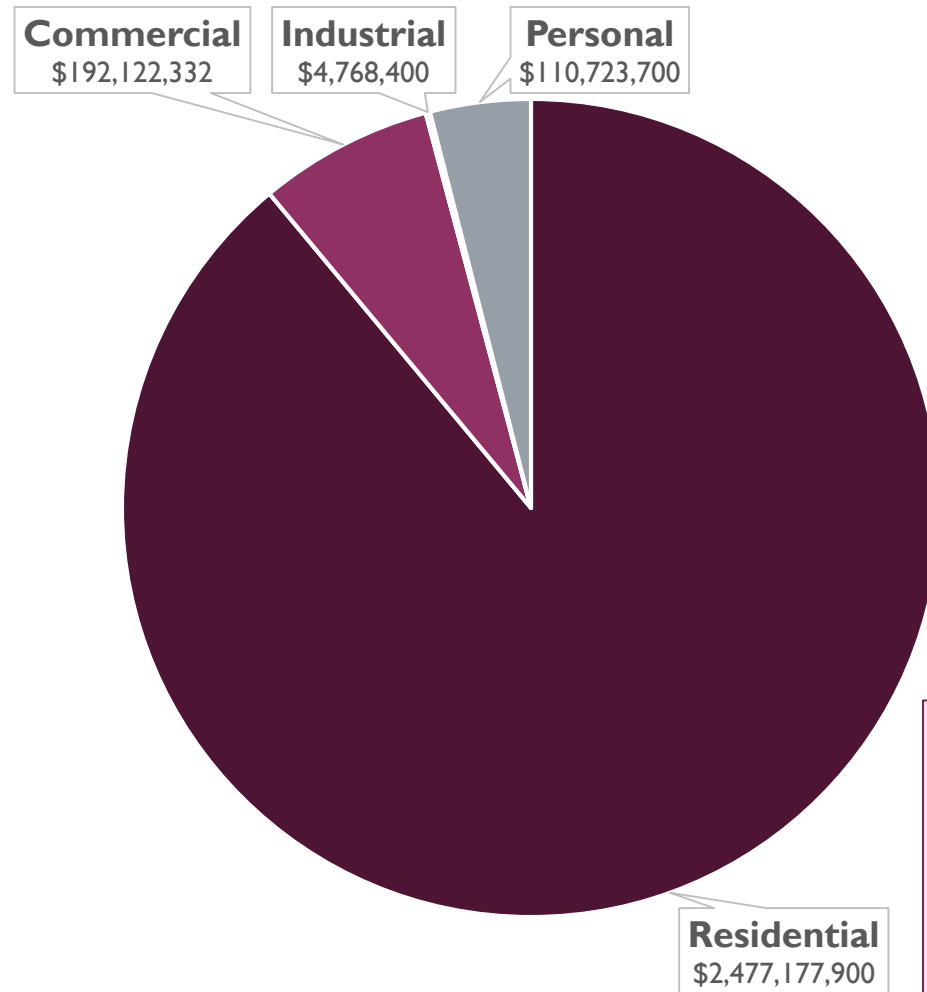
Residential – Includes all property containing one or more units used for human habitation. The class includes accessory land and buildings such as swimming pools, tennis courts, garages and sheds. Single-family homes are in this class, as are large apartment buildings.

Commercial – Includes any property held for the purpose of conducting a business, such as stores, office buildings, hotels, and all vacant land classified as forestland (Chapter 61), farmland (Chapter 61A) and recreational land (Chapter 61B).

Industrial Properties - Includes any property involved in manufacturing, processing or extraction. It includes utility real property used for storage and generation purposes.

Personal Property – Contains all taxable personal property of individuals, partnerships, associations and certain corporations. A large portion of this class is owned by public utilities.

FY2022 DISTRIBUTION BY PROPERTY CLASSIFICATION



Number of parcels by property type:
Residential: 6,318
Commercial: 479
Industrial: 29
Personal: 173

SINGLE VERSUS SPLIT TAX RATE: THIS IS WHAT THIS HEARING IS ABOUT...

NOTE: THE TOTAL AMOUNT THAT CAN BE RAISED IN TAXES STAYS THE SAME, WHETHER THERE IS A SINGLE OR SPLIT TAX RATE. A SPLIT TAX RATE DOES NOT RAISE MORE REVENUE, IT SIMPLY SHIFTS THE TAX BURDEN AMONG THE TAXPAYERS.

- FACTOR OF 1.00: Selection of a single tax rate means that all four property classes will pay the same tax rate. ***This is the recommendation of the Principal Assessor and the Town Manager.***
- FACTOR OF LESS THAN 1.00: The law allows the option to shift the tax burden among the classes by reducing the share of the tax levy paid by the residential property owners and shifting/increasing those taxes to commercial, industrial and personal property taxpayers through the adoption of a residential factor of less than 1.00.
- FACTOR OF GREATER THAN 1.00: Conversely, a factor greater than 1.00 may be adopted, which would have the opposite effect, reducing the share of the tax levy paid by commercial, industrial and personal property taxpayers and shifting/increasing those taxes on residential property owners.

SPLIT TAX RATE:

THE MINIMUM RESIDENTIAL FACTOR (MRF) IS 93.709 FOR FY2022, WITH AN ESTIMATED TAX RATE OF \$21.27, THIS IS THE MAXIMUM ALLOWABLE SHIFT DETERMINED BY THE DOR. THIS WOULD RESULT IN A SPLIT TAX RATE OF \$19.95 FOR RESIDENTIAL AND \$31.90 FOR COMMERCIAL/INDUSTRIAL AND PERSONAL PROPERTY.

Residential Impact

Average Single Family Home Value: \$404,700

Single Tax Rate: $\$404,700/\$1000 \times \$21.27 = \$8,608$

Split Tax Rate: $\$404,700/\$1000 \times \$19.90 = \$8,054$

Decrease of \$554

Commercial and Industrial Impact

Average Commercial Value: \$529,100

Single Tax Rate: $\$529,100/\$1000 \times \$21.27 = \$11,254$

Split Tax Rate: $\$529,100/\$1000 \times \$31.90 = \$16,878$

Increase of \$5,624

SINGLE VERSUS SPLIT TAX RATE:

- 236 Massachusetts Communities had a single tax rate in FY2018.
- 110 Massachusetts communities had a split tax rate in FY2018 with shifts ranging from \$0.03 to \$21.47 above the residential rate (favoring lower tax rates for residential property and higher tax rates for businesses)
- 5 Massachusetts communities had split tax rate in FY2018 with shifts ranging from \$0.15 to \$0.90 below the residential rate (favoring lower tax rates for businesses, and higher tax rates for residential property)

Typically a split tax rate might be considered when:

- the percentage of residential property to commercial/industrial/personal property is at least at 70%-30%
- the major taxpaying businesses are difficult to move such as a power plant or a shopping mall

It can be difficult for a community to revert back to a single tax rate after splitting the tax rate, as it often results in a substantial tax increase for residential properties

The Town Manager and the Principal Assessor recommend a Factor of 1.00 – A Single Tax Rate

OTHER EXEMPTIONS ALLOWED UPON COUNCIL OPTION:

Residential Exemption MGL C.59 s. 5C – The Residential Exemption allows for a shift of the tax burden within the residential class from the lower valued properties to the higher valued ones and those owned by non-residents. However, this also shifts the burden to rental properties.

MGL C.59 s.5C “With respect to each parcel of real property classified as Class One, residential, in each city or town certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the board of selectmen or mayor, with the approval of the city council,....”

- The Residential Exemption is a statewide exemption that any community can use. The exemption allows communities to give owner occupied residential properties an exemption of assessed value of up to 35% of the average value of all residential properties. This is a fixed dollar amount and not 35% of each qualifying owner occupied property. The residential class includes single family, condominiums, two and three family units, apartment complexes, vacant lots and the residential portion of mixed use properties.
- By making an adjustment to the residential valuation it automatically raises the tax rate in the residential class only. To calculate the tax rate in the residential class reduce the total valuation of the class, by whatever exemption amount chosen, times the number of qualifying properties and then divide that into whatever taxes were being raised in the residential class.

Other exemptions, continued:

Small Commercial Exemption MGL C.59 s.5I - The Commercial Exemptions allows smaller businesses with an average annual employment of no more than 10 people and an assessed valuation of less than \$1,000,000 to receive an exemption. Adoption of this exemption increases the commercial and industrial tax rates. The amount of the tax levy paid by those two classes remains the same, but because of exempted valuation, it is distributed over less assessed value. This higher rates creates a shift that reduces the taxes paid by owners of properties occupied by small businesses and shifts them to larger commercial and industrial taxpayers. However, this will not benefit small businesses that do not own the property that they use for their business.

MGL C.59 s.5I “With respect to each parcel of real property classified as class three, commercial, in each city or town certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the board of selectmen or mayor, with the approval of the city council...”

SUMMARY

Recommendation:

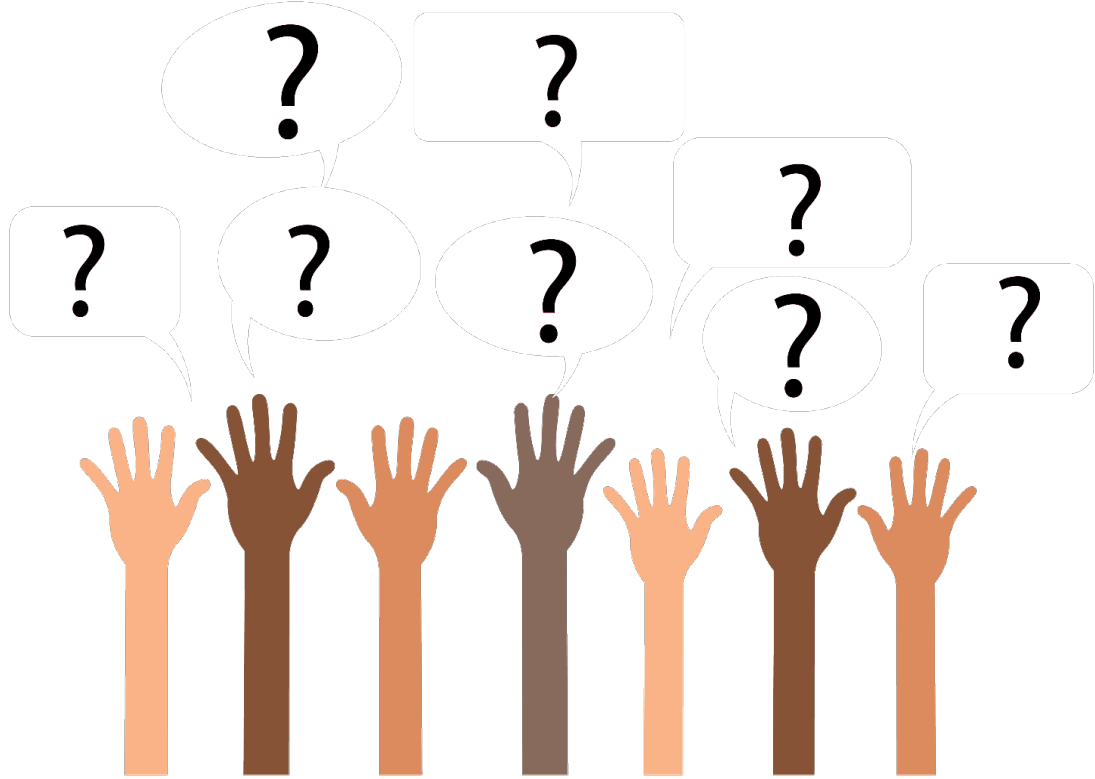
- The Town Manager, Principal Assessor, and Board of Assessors recommend:
- A single tax rate for all property types - a factor of 1.00
- No Residential, Small Commercial or Open Space Exemptions

PRINCIPAL ASSESSOR AND TOWN MANAGER RECOMMEND TOWN COUNCIL APPROVE A RESIDENTIAL FACTOR OF 1.00 FOR FY2022, WHICH RESULTS IN A SINGLE TAX RATE OF APPROXIMATELY \$21.27/\$1000

Recommended Residential Factor of "1" for FY 2022

		Total	Tax Rate	
Class	Percentage	Valuation	per \$1000 valuation	Levy by Class
Residential	88.9537%	\$2,477,149,500	\$21.27	\$52,688,969.87
Commercial	6.8990%	\$192,122,332	\$21.27	\$4,086,442.00
Industrial	0.1712%	\$4,768,400	\$21.27	\$101,423.87
Personal Property	3.9948%	\$110,723,700	\$21.27	\$2,355,093.10
	100.00%	\$2,784,762,932.		\$59,231,928.84

QUESTIONS?



RESIDENTIAL EXEMPTION POWER POINT PRESENTATION

- PRESENTATION BY FINANCE DIRECTOR AND INTERIM PRINCIPAL ASSESSOR

Town of Amherst Residential Exemption Study

Tax Classification Hearing

October 4th 2021



Sean Mangano, Finance Director

David Burgess, Interim Assessor

Agenda

- What is the Residential Exemption?
- Study Process
- Data
- Key Points
- Next Steps

What is the Residential Exemption?

- The residential exemption is a tax policy that exempts a percentage of owner-occupied residential property values.
- The Town Council must annually consider adoption of this policy.
- If adopted, the Council can choose to exempt up to 35% of the average residential property value. This exemption amount is then applied against all owner-occupied residential property values.
- This policy shifts the tax burden away from lower valued owner-occupied properties on to other types of residential properties.
- There are 15 communities that have adopted this policy and all are near Boston or on the Cape/Islands.

Study Process

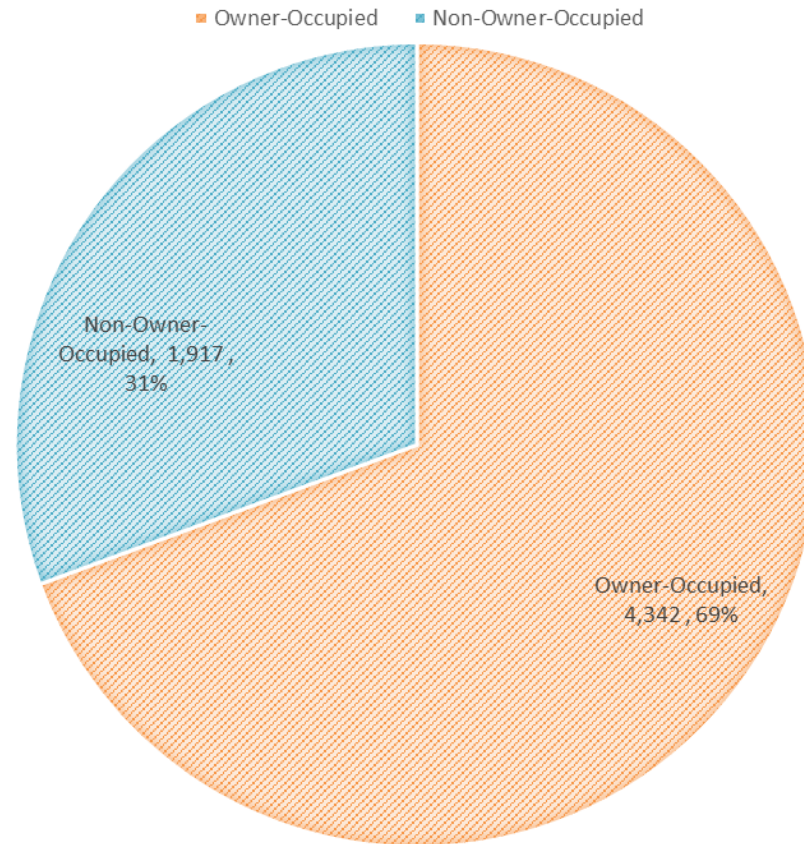
- The Assessor's Office needed to update its records on what residential properties were owner occupied in order to provide the most accurate data to the Council.
- A survey was sent to 764 properties whose owner-occupied status was unknown. Appx. 376 responded to the survey and their property information has been updated.
- The Assessor's Office has worked with the Board of Assessors throughout this process to develop the information shared with the Council.

Data: Communities that have adopted the Residential Exemption

Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Nantucket, Provincetown, Somerville, Tisbury, Truro, Waltham, Watertown, and Wellfleet

- Communities fall into two groups:
 - Vacation communities on the Cape or Islands
 - Larger commercial bases than Amherst

Data: Breakdown of Residential Property Types By Parcel



Data: 15 % Exemption Example

Total Residential Property Value	\$2,353,914,109
Avg value (6,259 parcels)	\$376,085
15% exemption (rounded) (\$376,085 X 15%)	\$56,413
Total Exemption Amount (rounded) (\$56,413 X 4,342 parcels)	(\$244,943,962)
Total Residential Property Value after Exemption	\$2,108,970,147
Tax Rate after Exemption (based on FY21 current residential levy)	\$23.95
FY 21 Current Residential Levy	\$50,508,844
Single Rate	\$21.46

Data: 15% Exemption Example

Change in Tax Bill	# of Total Parcels	# of Owner Occupied Parcels	# of Non-Owner Occupied Parcels
\$1,000 or more reduction	58	58	0
\$1 to \$999 reduction	3,843	3,843	0
\$0 to \$1,000 increase	1,990	428	1,562
\$1,001 to \$2,000 increase	277	10	267
\$2,001 to \$3,000 increase	35	2	33
\$3,001 to \$4,000 increase	14	0	14
\$4,001 to \$5,000 increase	8	1	7
\$5,001 to \$10,000 increase	11	0	11
\$10,000 or more increase	23	0	23
Total	6,259	4,342	1,917

**Breakeven
 Assessed Value:
 \$540,800**

Key Points

- This policy shifts the tax burden based on the assessed value of a property and its ownership status. It does not shift tax burden based on ability to pay or income status.
- Large apartment complexes are non-owner-occupied and therefore will see a large increase in their tax liability if this policy is adopted.
- Owner-occupied parcels valued at less than \$540,800 will see a decrease in their tax liability
- There are numerous situations where a property may be non-owner-occupied for reasons other than renting to students or casual visitors of the town. For example, some residents may live in the house but have assigned ownership of the property to a child or parent that live elsewhere.
- This policy will increase the residential tax rate in order to makeup for the exemption amount. The exemption will not create additional taxes.

Key Points

- If adopted, the Assessor's Office will need additional resources and planning time in order to implement. The Town will need to develop a more robust mechanism for determining the ownership status of a property.
- The Council should include in its consideration what it hopes to achieve with its tax policy and whether the residential exemption supports that intent.

Recommendation

The Town Manager and staff do not recommend adoption of the residential exemption because:

- Non-owner occupied properties would pay increased taxes. Owners of these properties may increase monthly rent to offset this increase of taxes. These properties would include apartments' and single family homes that are not owner occupied.
- Benefit is not income based
- Shifts burden to higher priced homeowners who are already paying higher real estate taxes.
- Additional work required by Assessor's office to properly determine which properties are eligible for the exemption.
- Increase in Overlay Reserve to allow for people to appeal their status.

Next Steps

Is there interest to consider the Residential Exemption?

- If no - vote
- If yes - public engagement sessions should be scheduled to share this information more broadly and obtain feedback
- If tabled set a date to vote preferably by November 1st.

Thank you

Questions