

TOWN OF AMHERST FY2024 TAX CLASSIFICATION HEARING



NOVEMBER 13TH, 2023

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RICHARD MORSE, BOARD OF ASSESSORS CHAIR

KEN HARGREAVES, BOARD OF ASSESSORS

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TAX POLICY OPTIONS

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

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:

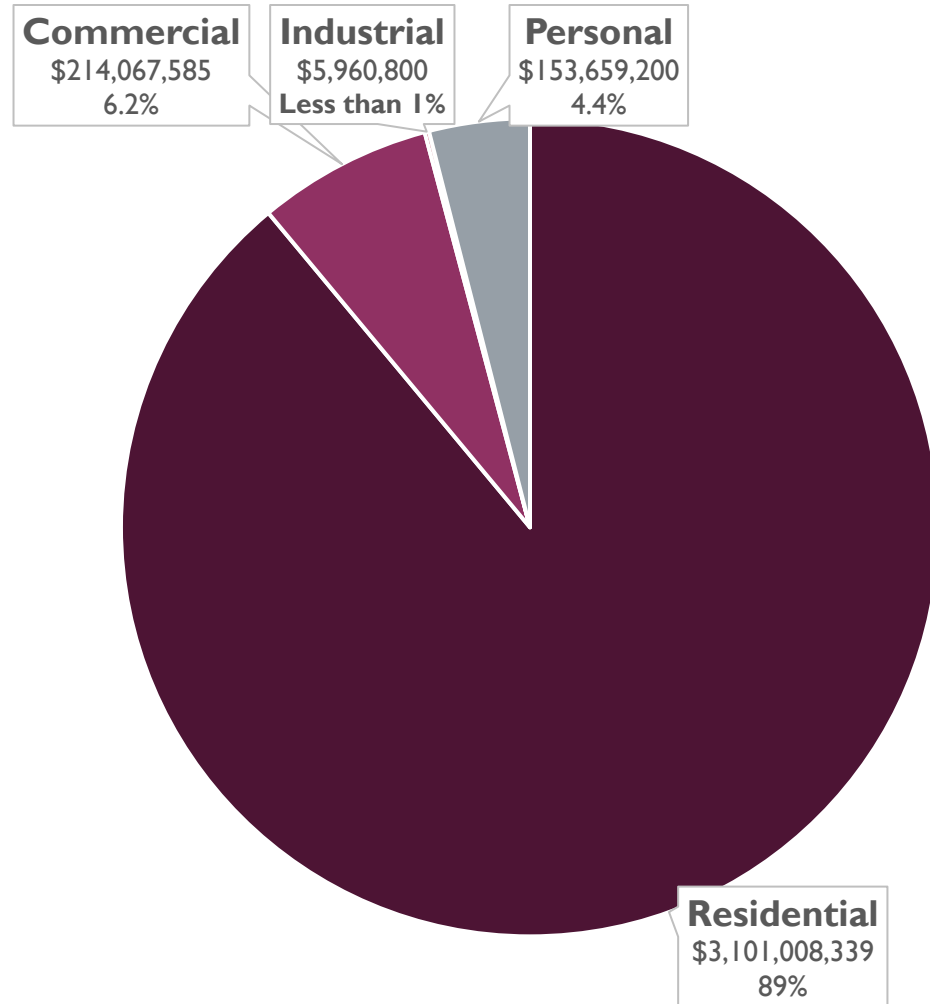
Residential – Includes all property containing one or more units used for human habitation. The class includes accessory land and buildings such as swimming pools, tennis courts, garages and sheds. Single-family homes are in this class, as are large apartment buildings.

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.

FY2024 DISTRIBUTION BY PROPERTY CLASSIFICATION



Number of parcels by property type:
Residential: 6,304
Commercial: 410
Industrial: 30
Personal: 198

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 93.9747 FOR FY2024, WITH AN ESTIMATED TAX RATE OF \$18.51, THIS WAS THE MAXIMUM ALLOWABLE SHIFT DETERMINED BY THE DOR. THIS WOULD HAVE RESULTED IN A SPLIT TAX RATE OF \$17.42 FOR RESIDENTIAL AND \$27.80 FOR COMMERCIAL/INDUSTRIAL AND PERSONAL PROPERTY.

Estimated Residential Impact

Average Single Family Home Value: \$508,713

Single Tax Rate: $\$508,713 / \$1000 \times \$18.51 = \$9,416.28$

Split Tax Rate: $\$508,713 / \$1000 \times \$17.42 = \$8,861.78$

Decrease of \$554.50

Estimated Commercial Impact

Average Commercial Value: \$596,087

Single Tax Rate: $\$596,087 / \$1000 \times \$18.51 = \$11,033.57$

Split Tax Rate: $\$596,087 / \$1000 \times \$27.80 = \$16,571.22$

Increase of \$5,537.65

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.

QUALIFICATIONS FOR THE RESIDENTIAL EXEMPTION

Residential Properties Included

OWNER OCCUPIED

- Single Family homes
- Condominiums
- Part of Two and Three-Family Homes
- Part of Mixed use properties

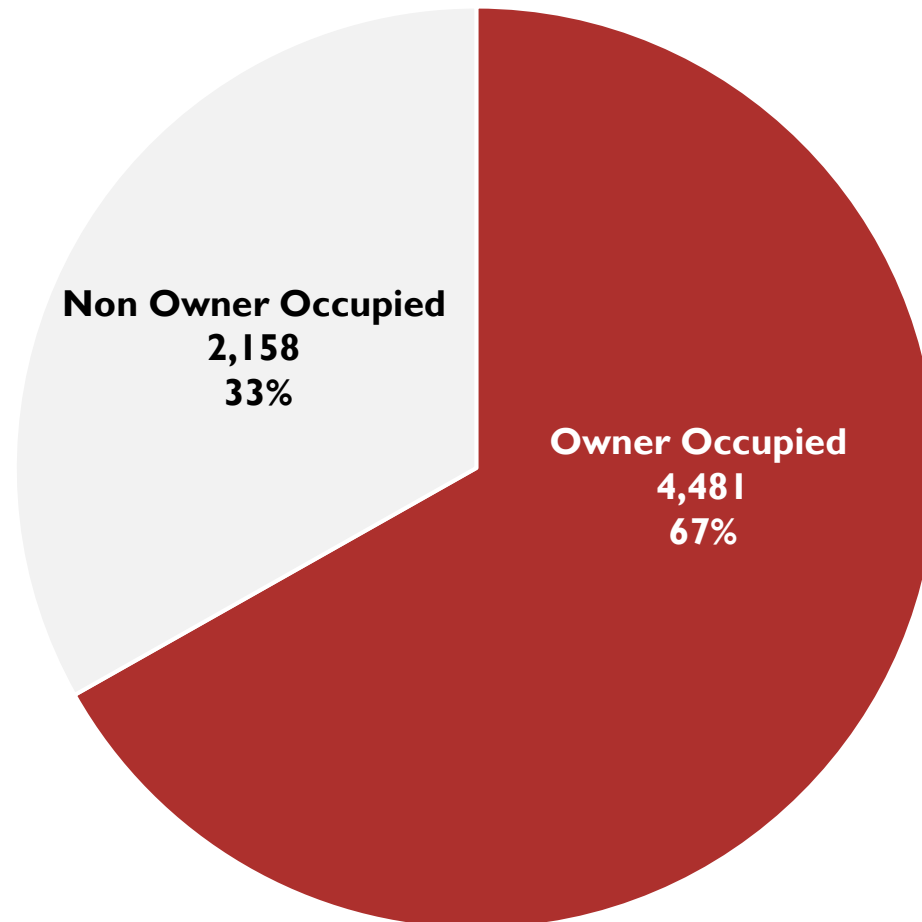
Residential Properties Excluded

NON-OWNER OCCUPIED

- Second homes, rentals
- Homes rented/occupied by family members (not on the deed)
- Properties held in Trust (Medford vs Kirby)
- Apartment Buildings
- Nursing Homes, Group Homes & Assisted Living Facilities

RESIDENTIAL EXEMPTION

Owner Occupied vs Non Owner Occupied Parcels Estimates



RESIDENTIAL EXEMPTION- SUMMARY

- Redistribution of the tax levy among residential property owners
- “Exemption” is a misnomer since it is actually a tax shift among residential properties (upper portion of the tax base will have a higher tax bill, lower portion of the tax base will have a lower tax bill)
- Tends to penalize low income renters because Apartment buildings would not qualify, would be in the upper half and pass the increase on to the tenants

Other exemptions, continued:

Small Commercial Exemption MGL C.59 s.51 - 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.51 “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, recommend:
- A single tax rate for all property types - a factor of 1.00
- No Residential, Small Commercial or Open Space Exemptions

QUESTIONS?

