

Fiscal Year 2020

# Tax Classification Hearing

November 25, 2019



## Blandford Board of Assessors

Harald M. Scheid - Regional Assessor

Jeffrey T. Reynolds, Jr. - Associate Assessor

Stephen Jemolo - Chair

Arrie McLaughlin - Member

Linda Bevan - Clerk

## **Introduction**

Prior to the mailing of 3<sup>rd</sup> quarter tax billings, the Select Board holds a public hearing to determine the percentage of the Town's property tax levy to be borne by each major property class. This responsibility and procedure are described in Chapter 40, Section 56 of the Massachusetts General Laws.

The steps in completing the Classification Hearing are outlined below. Also provided is information about the levy, property assessments, and recommendations made by the Board of Assessors.

## **Steps in Setting Tax Rates**

### **Pre-classification Hearing Steps**

Step 1: Determination of the property tax levy (Budget Process)

Step 2: Determine assessed valuations (Assessors)

Step 3: Tabulate assessed valuations by class (Assessors)

### **Classification Hearing Steps**

Step 4: Classification hearing presentation (Assessors & Select Board)

Step 5: Determine tax shift options (Select Board)

Step 6: Voting a tax shift factor (Select Board)

### **Post Classification Hearing Steps**

Step 7: Sign the LA-5 Classification Form (Select Board)

Step 8: Send annual recap to DOR for tax rate approval (Assessors)

Step 9: Obtain DOR approval of tax rates (DOR)

## Terminology

The following are definitions of the terms frequently used in the discussion of tax rates.

Levy: The tax levy (or levy) is the amount of property taxes to be raised. The levy amount is determined by the budget. The total amount of the approved budget less revenues from other sources like motor vehicle excise, municipal fees, and state aid is the amount to be raised from property taxation.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the Town. Based on the Blandford aggregate valuation of \$172,345,068, the town cannot levy taxes in excess of \$4,308,627.

New Growth Revenue: Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions, and personal property. The assessors have tabulated new growth revenues of \$47,407.

Levy Limit: Also referred to as the "maximum allowable levy", this is calculated by adding 2.5 percent of the previous year's levy limit plus new growth revenue for the present fiscal year to last year's levy limit. Exceeding the levy limit requires an override of Proposition 2 ½. For Fiscal Year 2020, there are no overrides of Proposition 2 ½.

Excess Levy Capacity: Excess levy capacity is the difference between the levy and the levy limit.

## The Fiscal Year 2020 Levy Limit and Amount to be Raised

The following is a calculation of Blandford's levy limit for fiscal year 2020.

Fiscal year 2019 levy limit	\$2,962,546
Levy increase allowed under Prop. 2 ½	74,064
New growth revenue	47,407
FY2020 Debt exclusions	82,236
FY2020 Overrides	0
Fiscal year 2020 levy limit	3,084,017
Levy ceiling	4,308,627
<b>Levy to be raised</b>	<b>\$3,061,340</b>
Excess levy capacity	\$85,244

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	140,704,190	81.6410	81.6410
Commercial	6,691,964	3.8829	
Industrial	2,211,000	1.2829	18.3590
Personal Property	22,737,914	13.1932	
TOTAL	172,345,068	100.0000	

## Shifting the Tax Burden

Municipalities with a large commercial/industrial tax base often see fit to shift the tax burden to help maintain lower residential taxes. Given Blandford's small commercial and industrial base, it would take a large shift of the tax burden from the residential class to the commercial and industrial class to yield a modest residential tax reduction.

## Board of Assessors Recommendation

- ✓ The Board of Assessors recommends that the Select Board adopt a single tax rate to be applied to all classes of property in Blandford.

## ✓ Tax Rates

Based on the above shift factors, the Board of Assessors has calculated the following tax rates needed to raise the tax levy:

<u>Property Class</u>	<u>FY2020</u>	<u>FY2019</u>
Residential	\$17.76	17.21
Commercial	\$17.76	17.21
Industrial	\$17.76	17.21
Personal Property	\$17.76	17.21

Note that the FY2020 rate is an estimate only and may change upon Department of Revenue review.

## Tax Impacts

While the relatively modest change in tax rate is encouraging, actual property tax impacts will vary from property to property.

The residential classes, including single family homes and small multifamily homes, values have remained stable for FY2020, reflecting the continued stability in the real estate market. Residential land has also remains unchanged for FY2020, based on market activity during calendar years 2017 and 2018. In general, the commercial class valuations are remaining stable for FY2020.

## Examples of Typical Residential Tax Changes

<u>Residential Class</u>	<u>Average</u> <u>FY19 Value</u>	<u>Avg. Tax</u>	<u>Average</u> <u>FY20 Value</u>	<u>Avg. Tax</u>	<u>Change</u>
✓ Single Family Homes	\$219,320	\$3,774	\$219,946	\$3,904	+\$130

## Voting a Tax Shift Factor (proposed motion)

The Blandford Select Board votes in accordance with M.G.L., Ch. 40, Sec. 56, as amended, the percentage of local tax levy which will be borne by each class of real and personal property, relative to setting the Fiscal Year 2020 tax rates and set the Residential Factor at 1.0, with a corresponding CIP shift of 1.0, pending approval of the town's annual tax recap by the Massachusetts Department of Revenue.

### Summary of Assessments (LA4)

Property Type	Count	Residential	Commercial	Industrial	Personal Property
101-Single Family	510	112,121,700	-0-	-0-	-0-
102-Condominiums	0	-0-	-0-	-0-	-0-
103,109-Misc Res	10	3,297,000	-0-	-0-	-0-
104-Two Family	8	1,950,900	-0-	-0-	-0-
105-Three Family	0	-0-	-0-	-0-	-0-
111-125-Apartments	0	-0-	-0-	-0-	-0-
130's-Vacant Land	328	11,409,800	-0-	-0-	-0-
012-043-Mixed Use	7	11,924,790	4,491,510	1,694,000	-0-
300-393-Commercial	2	-0-	573,500	-0-	-0-
400-452-Industrial	5	-0-	-0-	517,000	-0-
500-508-Pers. Prop.	138	-0-	-0-	-0-	22,737,914
600's-Forestry	69	-0-	631,349	-0-	-0-
700's-Agricultural	43	-0-	329,963	-0-	-0-
800's-Recreation	39	-0-	665,642	-0-	-0-
<b>TOTAL BY CLASS</b>	<b>1159</b>	<b>140,704,190</b>	<b>6,691,964</b>	<b>2,211,000</b>	<b>22,737,914</b>
<b>TOTAL TAXABLE PROPERTIES</b>					<b>172,345,068</b>
<b>TOTAL TAX-EXEMPT PROPERTIES</b>	<b>122</b>				<b>29,982,900</b>