



Fiscal Year 2023

# Tax Classification Hearing

December 12, 2022

## Blandford Board of Assessors

Dr. David Hopson - Chairman

Eric McVey - Member

Harald M. Scheid - Regional Tax Assessor

Christopher Cozzaglio - Associate Regional Tax Assessor

Alliey Pevay - Administrative Assessor

Cathy Smelcer - Assessor 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: Voting a tax shift factor (Select Board)

### **Post Classification Hearing Steps**

Step 6: Sign the LA-5 Classification Form (Select Board)

Step 7: Send annual recap to DOR for tax rate approval (Assessors)

Step 8: 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. The town will be raising 3,567,404 in property tax revenues. The tax levy has increased \$233,714 (7.0%) over last year's levy of \$3,333,690.

**Levy Ceiling:** The levy ceiling is 2.5 percent of the full value of the Town. Based on the Blandford's aggregate valuation of \$261,156,956, the town cannot levy taxes in excess of \$6,528,924.

**New Growth Revenue:** Property taxes derived from newly taxable properties like new construction, additions, subdivisions, and personal property. The assessors have tabulated new growth revenues of \$102,197.

**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 2023 the levy limit is \$4,106,427.

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

## The Fiscal Year 2023 Levy Limit and Amount to be Raised

The following is a calculation of Blandford's levy limit for fiscal year 2023.

Fiscal year 2022 levy limit	\$3,819,963
Levy increase allowed under Prop. 2 ½	\$94,499
New growth revenue	\$102,197
Excluded Debt to Pay Bonds	\$88,768
Fiscal year 2023 levy limit	\$4,106,427
<b>Levy to be raised</b>	<b>\$3,567,404</b>
Excess levy capacity	\$539,023

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	184,410,790	70.6130--	70.6130
Commercial	8,390,221	--3.2127	
Industrial	4,276,200	-1.6374-	29.3870
Personal Property	64,079,745	--24.5369	
TOTAL	261,156,956	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 relatively small commercial, industrial, and personal property tax base, it takes a CIP tax rate increase of approximately 4% to yield a 1% residential tax rate reduction.

## Tax Rates

The estimated single tax rate for fiscal year 2023 is \$13.60 per thousand value. This is a reduction from last year's tax rate of \$14.79.

Note that the FY2023 rate is an estimate and may change upon Department of Revenue review.

## Tax Rates History

Fiscal Year 2022	\$14.79	Fiscal Year 2019	\$17.21
Fiscal Year 2021	\$17.76	Fiscal Year 2018	\$17.57
Fiscal Year 2020	\$17.76	Fiscal Year 2017	\$16.94

## Tax Rate Options Average Taxes

CIP Shift Factor	Res Shift Factor	CIP Rate	Res Rate	Single-family Average Tax	Commercial Average Tax
1.0000	1.0000	14.79	14.79	\$3,774	\$4,671
1.1000	0.9616	16.27	14.22	\$3,629	\$5,138
1.2000	0.9232	17.75	13.65	\$3,483	\$5,605
1.3000	0.8848	19.23	13.09	\$3,341	\$6,073
1.4000	0.8464	20.71	12.52	\$3,195	\$6,540
1.5000	0.8080	22.18	11.95	\$3,050	\$7,004

## Tax Impacts

### Example of Typical Residential Tax Changes

Property Class	Average FY22 Value	Avg. Tax	Average FY23 Value	Avg. Tax	Change
Single Family Homes	\$255,200	\$3,774	\$291,400	\$3,963	-\$189 (5%)

## **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.

## **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 2023 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.