

Fiscal Year 2024

# Tax Classification Hearing

November 20, 2023



## Hubbardston Board of Assessors

John Prentiss, Chairman  
Albert Afonso, Member  
Jeffrey Young, Member

Robert Heckman – Regional Assessor  
Candace Livingston – Administrative Assessor

**DRAFT DOCUMENT**

## **Introduction**

Prior to the mailing of 3<sup>rd</sup> quarter tax billings, the Hubbardston Select Board hold 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 budgetary and assessment steps leading to the Classification Hearing are summarized below. Also provided is information about the towns' 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 (Hubbardston Select Board)

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

### **Post Classification Hearing Steps**

Step 7: Sign the LA-5 Classification Form (Board of Assessors and Town Clerk must Sign electronically)

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. In Hubbardston, the levy to be raised is estimated to be **\$8,425,715**, an increase of **\$371,717 (4.62%)**, over the last fiscal year's levy of **\$8,053,998**.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the Town. Based on the Hubbardston town valuation of **\$713,439,021**, the town cannot levy taxes in excess of **\$17,835,976**.

New Growth Revenue: Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions, and personal property. The assessors have tabulated and DOR certified new growth revenues of **\$108,628**. In addition, there is amended new growth in the amount of **\$30,776**.

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 2024 the maximum allowable levy is **\$8,431,747**.

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

## The Fiscal Year 2024 Levy Limit and Amount to be raised

The following is a calculation of the Hubbardston levy limit for fiscal year 2024.

Fiscal year 2023 levy limit	\$8,052,778
Amended New Growth	30,776
Levy increase allowed under Prop. 2 ½	202,089
New growth revenue	108,628
Fiscal year 2024 levy limit	\$8,394,271
Debt Exclusion	37,476
Maximum allowable levy	\$8,431,747
Levy to be raised	<b>\$8,425,715</b>
<b>Excess levy capacity</b>	<b>\$6,032</b>

# Valuations by Use Type (LA4)

MASSACHUSETTS DEPARTMENT OF REVENUE

Hubbardston

DIVISION OF LOCAL SERVICES

TOWN

BUREAU OF LOCAL ASSESSMENT

ASSESSMENT/CLASSIFICATION REPORT as of January 1, 2023

Fiscal Year 2024

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	1,463	589,928,639				
102	128	36,020,600				
MISC 103,109	11	3,792,400				
104	28	11,865,900				
105	4	2,289,099				
111-125	2	1,255,800				
130-32,106	472	13,897,540				
200-231	0		0			
300-393	31			8,507,800		
400-442	10				3,818,100	
450-452	5				1,628,800	
CH 61 LAND	15	23	0	172,837		
CH 61A LAND	20	49	0	475,160		
CH 61B LAND	8	17	0	531,675		
012-043	33	9,231,838	0	5,673,000	0	
501	21					762,774
502	8					1,012,919
503	0					0
504	1					5,351,932
505	1					945,900
506	0					0
508	0					0
550-552	6					16,276,308
<b>TOTALS</b>	<b>2,356</b>	<b>668,281,816</b>	<b>0</b>	<b>15,360,472</b>	<b>5,446,900</b>	<b>24,349,833</b>
Real and Personal Property Total Value						713,439,021
Exempt Parcel Count & Value						279 48,324,884

## Valuations by Class before Tax Shift

Major Property Class	Valuation	Percent	Res vs CIP%	Prior Fiscal Valuation	Change
Residential	668,281,816	93.670%	93.670%	581,275,887	14.97%
Commercial	15,360,472	2.1530%		13,373,933	14.85%
Industrial	5,446,900	0.7635%		5,043,200	8.00%
Personal Property	24,349,833	3.4135%	6.33%	18,418,860	32.20%
<b>TOTAL</b>	<b>713,439,021</b>	<b>100.00</b>		<b>618,111,860</b>	<b>15.42%</b>

\*\*\* "CIP" stands for "Commercial, Industrial, & Personal Property".

## 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. Hubbardston, like most small Massachusetts towns, has in the past chosen not to shift taxes. A shift does not create more revenue for the town, merely changes the slice of the pie each class gets served.

The goal of recent classification hearings has been to maintain a uniform tax rate across all classes of property.

CIP Shift	Res Factor	Share Percentages					Levy Amounts						Est. Tax Rates		
		Res SP	Comm SP	Ind SP	PP SP	Total SP	Res LA	Comm LA	Ind LA	PP LA	Total LA	Res ET	Comm ET	Ind ET	PP ET
1.0000	1.0000	93.5376	2.1499	0.7624	3.5501	100.0000	7,881,212	181,144	64,238	299,121	8,425,715	11.79	11.79	11.79	11.79
1.0100	0.9993	93.4730	2.1714	0.7700	3.5856	100.0000	7,875,767	182,956	64,880	302,113	8,425,715	11.79	11.91	11.91	11.91
1.1000	0.9931	92.8914	2.3649	0.8386	3.9051	100.0000	7,826,761	199,259	70,661	329,033	8,425,715	11.71	12.97	12.97	12.97
1.2500	0.9827	91.9220	2.6874	0.9530	4.4376	100.0000	7,745,085	226,431	80,297	373,902	8,425,715	11.59	14.74	14.74	14.74
1.3500	0.9758	91.2758	2.9024	1.0292	4.7926	100.0000	7,690,635	244,545	86,721	403,814	8,425,714	11.51	15.92	15.92	15.92
1.4100	0.9717	90.8880	3.0314	1.0750	5.0056	100.0000	7,657,965	255,414	90,575	421,761	8,425,714	11.46	16.63	16.63	16.63
1.5000	0.9655	90.3064	3.2249	1.1436	5.3252	100.0000	7,608,959	271,717	96,356	448,682	8,425,714	11.39	17.69	17.69	17.69

The town would have to elect a 41% shift in order to keep residential equal to last year, significantly increasing the burden on the Commercial, Industrial, and Personal Property classes. It is important to note that Chapter land is also included in "CIP".

## 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>All Property Classes</u>	<u>FY2024</u>	<u>FY2023</u>
Residential	\$11.79*	\$13.03
Commercial	\$11.79	\$13.03
Industrial	\$11.79	\$13.03
Personal Property	\$11.79	\$13.03

\*\*\*Note that the fiscal year 2024 rate is an **estimate** and may change upon Department of Revenue review.

## Tax Impacts

Fiscal year 2024 residential valuations have increased approximately 14.97% from last year, reflecting a positive real estate market.

The average residential tax bill calculation will change as follows:

FY 2024 Average Single-Family Valuation:	\$403,232
Taxes at \$11.79 per thousand	\$4,754
FY2023 Average Single-Family Valuation:	\$354,932
Taxes at \$13.03 per thousand	\$4,624
Average Value Increase	\$48,300/13.61%
Average Tax Increase	\$130/2.81%

## **Recommendations**

The Board of Assessors recommends that the Select Board adopt a residential shift factor of 1.000 with a corresponding CIP factor of 1.000, thereby maintaining the relative shares of overall tax burden borne by the residential property owners in past years.

Based on the above assumptions and a single tax rate.

With a single tax rate, the estimated levy to be raised by taxation would be **\$8,425,715**

**Excess Levy Capacity would be in the amount of \$6,032.**

## **Voting a Tax Shift Factor-** (Select Board to read below verbiage at meeting)

The Hubbardston 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 2024 tax rates and set the Residential Factor at 1.000, with a corresponding CIP shift of 1.000, pending certification of the Town's annual tax recap by the Massachusetts Department of Revenue.