



TAX RECAPITULATION POLICY

PURPOSE

To ensure the Town timely and appropriately charges taxes to property owners in support of the annual budget, this policy sets forth the roles, responsibilities, and deadlines associated with the tax recapitulation (i.e., “tax recap”) process. A timely and accurate annual tax recap helps ensure the Town complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls.

APPLICABILITY

This policy applies to the Board of Selectmen and Town Administrator in their policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the tax recap process. It also applies to the related job duties of the Town Accountant, Assessor, Treasurer/Collector, and Town Clerk.

BACKGROUND

The property tax levy is Hubbardston’s largest source of revenue, which therefore makes the tax recap a vital component of the Town’s fiscal operations. The Assessing Department oversees two core phases: property valuation and tax rate setting. However, the full process begins with town meeting, involves many other local officials, and requires careful management, teamwork, and cooperation.

The tax recap forms and schedules represent the Town’s annual budget plan for the fiscal year. They summarize all appropriations made by town meeting since the previous year's tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, and reserves. The difference between these sources and the total budgeted appropriations must be raised through the property tax levy. By completing the tax recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

POLICY

At the Town Administrator’s direction, Hubbardston’s financial team will annually complete the tax recap process no later than December 15. The Treasurer/Collector will print and mail the actual tax bills no later than December 31. The Town Administrator will develop a realistic plan and timetable to meet these deadlines and keep the Board of Selectmen apprised of progress.

A. Preparation and Town Meeting

A successful tax recap process starts with a balanced annual budget, valid funding sources, and proper town meeting actions, which will be accomplished as follows:

The Board of Selectmen, through the Town Administrator and Town Counsel, will assure the production of a properly written town meeting warrant and motions, such that town meeting voters, under the Town Moderator's oversight, can properly authorize annual budget appropriations that are funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization). The Board of Selectmen will ensure that any annual increase in the tax levy does not exceed the maximum amount allowed under Proposition 2½.

The Town Accountant, Town Administrator, and Board of Selectmen will verify that the proposed budget is balanced. The Town Accountant will prepare a schedule of funds available for appropriation by town meeting. The Treasurer/Collector, Town Counsel and Bond Counsel will ensure any debt issuance authorizations are proper. The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum. The Town Administrator, in consultation with Town Counsel and Bond Counsel, will ensure properly written motions for use at Town Meeting.

Whereas the budget is typically adopted at the Annual Town Meeting, all appropriations and borrowings approved at this and other town meetings not recorded in the previous tax rate must be included in the current tax recap process.

B. Recording Legislative Actions

To allow time for any required corrective measures, the following tasks will be completed within 30 days of Town Meeting:

The Town Clerk will certify all appropriations approved since the last tax rate was set. The Town Accountant will reconcile all votes and authorized amounts. The Town Clerk will enter town meeting appropriations into the DLS Gateway system (page 4 of the tax recap). From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms as applicable:

Revolving funds (Form A-3)

Free cash used (Form B-1)

Available funds used (Form B-2)

If applicable, the Town Accountant or Treasurer/Collector will prepare the Debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

C. Tax Recap Entries done after the Fiscal Year-end Closing

The Town Accountant will continue completing the tax recap by:

Reporting and documenting all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)

Recording the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap)

Entering estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the tax recap)

D. Property Value Certification

Assessors must value all taxable real and personal property and must classify each property into one of four classes (residential, open space, commercial/industrial, or personal) based on use as of January 1. To do this, the Assessor will:

Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval. Analyze market conditions and set final property values in compliance with DLS certification standards. Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap). Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet). Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet).

The Assessor will submit the above forms to DLS for review and certification.

E. Tax Rate Setting

After DLS has certified property values, the Board of Selectmen will hold a public hearing to decide tax policy. At this classification hearing, the Board of Selectmen may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading to this hearing, the following must be completed:

The Assessor and Town Accountant prepare an overlay analysis (Form OL-1). The Assessor prepares a financial analysis of the various tax alternatives. The Board of Selectmen votes on residential, small commercial, and open space exemptions. The Board of Selectmen acknowledges excess levy capacity (Form LA-5). The Town Clerk attests to notice having been given to taxpayers regarding the public hearing (Form LA-5).

F. Review and Submittal to DLS

The Board of Assessors, working through the Assessor, is responsible for submitting all forms and supporting documents to DLS for tax rate approval. To do this:

The Assessor and Town Accountant will review all schedules, verify signatures, and verify that all proper documents are attached. The Town Accountant will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.

G. Tax Commitment Creation

After DLS notifies the Town that the tax rate has been approved, the Assessor will create a tax commitment list and warrant duly signed by the Board of Assessors and refer it to the Treasurer/Collector to generate the actual tax bills.

REFERENCES DLS Training Publications: New Officials Financial Handbook and Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate

Hubbardston's policies on Forecasting and Year-end Closing

EFFECTIVE DATE: This policy was adopted February 2019.