

Fiscal Year 2019

# Tax Classification Hearing

November 26, 2018



## Hubbardston Board of Assessors

John Prentiss, Chairman

Albert Afonso, Member

Jeffrey Young, Member

Diane Peterson – Regional Assessor

Genevieve Daniels – Administrative Assessor

## **Introduction**

Prior to the mailing of 3<sup>rd</sup> quarter tax billings, the Board of Selectmen 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 & Selectmen)

Step 5: Determine tax shift options (Board of Selectmen)

Step 6: Voting a tax shift factor (Board of Selectmen)

### **Post Classification Hearing Steps**

Step 7: Sign the LA-5 Classification Form (Board of Selectmen and Board of Assessors 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. Hubbardston will be raising property taxes of \$7,129,135.97, an increase of \$356,154.34 over the last fiscal year's levy of \$6,772,981.63.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the Town. Based on the Hubbardston town valuation of \$468,405,780, the town cannot levy taxes in excess of \$11,710,145.

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 \$89,402.

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 2019 the maximum allowable is \$7,132,910.

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

CIP: Abbreviation for commercial, industrial, and personal property.

## The Fiscal Year 2019 Levy Limit and Amount to be Raised

The following is a calculation of the Hubbardston levy limit for fiscal year 2019.

Fiscal year 2018 levy limit	\$6,774,154
Levy increase allowed under Prop. 2 ½	169,354
New growth revenue	89,402
Fiscal year 2019 levy limit	\$7,032,910
Capital Expenditure Exclusion	100,000
<b>Levy to be raised</b>	<b>\$7,129,135.97</b>
<b>Excess levy capacity</b>	<b>\$3,774.03</b>

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	438,238,780	93.5596	93.5596
Commercial	11,835,933	2.5269	
Industrial	5,432,600	1.1598	
Personal Property	12,898,467	2.7537	6.4404
TOTAL	447,652,454	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. With Hubbardston's low number of CIP properties, an increase in CIP to lower the residential would be burdensome to those CIP rate payers.

## Board of Assessors Recommendation

The Board of Assessors recommends that the Board of Selectmen adopt a single tax rate to be applied to all classes of property in Hubbardston.

## 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>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Residential	\$15.22*	\$15.13	\$15.23
Commercial			
Industrial			
Personal Property			

\*Note that the FY2019 rate is an estimate only. This requires Department of Revenue review of all documentation that is submitted as support for the recap.

## Tax Impacts

Actual property tax impacts will vary from property to property.

Valuations for the all property classes including single family homes, multi-family dwellings, and commercial properties will generally increase for fiscal year 2019, reflecting a modestly improving real estate market. A number of properties will realize corrective adjustments, or value increases related to additions and renovations.

### Example of Typical Tax Changes

<u>Residential Class</u>	<u>Average FY18 Value</u>	<u>Avg. Tax</u>	<u>Average FY19Value</u>	<u>Avg. Tax</u>	<u>Change</u>
Single Family Homes	\$246,161	\$3,724	\$257,471	\$3,919	\$195
Condominiums	\$174,523	\$2,641	\$186,069	\$2,832	\$191
<u>C &amp; I Class</u>					
Commercial	\$313,732	\$4,747	\$360,750	\$5491	\$744
Industrial	\$247,619	\$3,746	\$247,619	\$3,769	\$23

### **Voting a Tax Shift Factor (proposed motion)**

The Hubbardston Board of Selectmen 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 2019 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)**

<u>Property Type</u>	<u>Count</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Personal Property</u>
101-Single Family	1412	363,549,500	-0-	-0-	-0-
102-Condominiums	128	23,816,800	-0-	-0-	-0-
103,109-Misc Res	11	2,869,000	-0-	-0-	-0-
104-Two Family	33	10,369,100	-0-	-0-	-0-
105-Three Family	4	1,788,600	-0-	-0-	-0-
111-125-Apartments	3	1,241,700	-0-	-0-	-0-
130's-Vacant Land	525	18,181,380	-0-	-0-	-0-
012-043-Mixed Use	77	16,422,700	722,000	-0-	-0-
300-393-Commercial	28	-0-	10,101,000	-0-	-0-
400-450-Industrial	16	-0-	-0-	3,961,900	-0-
4520 Solar	4	0	0	1,470,700	0
500-508-Pers. Prop.	32	-0-	-0-	-0-	12,898,467
600's-Forestry	25	-0-	122,235	-0-	0
700's-Agricultural	50	-0-	337,273	-0-	-0-
800's-Recreation	16	-0-	722,000	-0-	-0-
 TOTAL BY CLASS	 2,411	 438,238,780	 11,835,933	 5,432,600	 12,898,467
 TOTAL TAXABLE PROPERTIES					 468,405,780
 TOTAL TAX EXEMPT PROPERTIES		 269 PARCELS			 63,283,184