



Fiscal Year 2017

# Tax Classification Hearing

October 17, 2016

## Ashburnham Board of Assessors

Walter Harrington, Chairman

Donna Burton, Member

Joshua Gendron, Member

Harald M. Scheid, Regional Tax Assessor

Linda Couture, Associate Regional Tax Assessor

Sherri DiPasquale, Administrative Assistant

## **Introduction**

Each year, prior to the mailing of 3<sup>rd</sup> quarter tax billings, the Board of Selectmen 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)
- Step 4: Obtain DOR value certification (Assessors)
- Step 5: Obtain certification of new growth revenues (Assessors)

### **Classification Hearing Steps**

- Step 6: Classification hearing presentation (Assessors & Selectmen)
- Step 7: Review and discuss tax shift options (Selectmen)
- Step 8: Voting a tax shift factor (Selectmen)

### **Post Classification Hearing Steps**

- Step 9: Sign the LA-5 Classification Form (Selectmen)
- Step 10: Send annual recap to DOR for tax rate approval (Assessors)
- Step 11: 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 Ashburnham, the levy to be raised is estimated to be \$13,185,441. This represents a 2.4% increase over last year's levy of \$12,873,000.**

**Levy Ceiling:** The levy ceiling is 2.5 percent of the full value of the town. Based on the Ashburnham aggregate valuation of \$574,028,789., the town cannot levy taxes in excess of \$14,350,720.

**New Growth Revenue:** Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions, and personal property. Fiscal year 2017 new growth revenues of \$108,135., has been certified by the Department of Revenue.

**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. **The certified maximum allowable levy for fiscal year 2017 is certified at \$13,188,173.**

**Excess Levy Capacity:** Excess levy capacity is the difference between the levy and the levy limit. Ashburnham's excess levy capacity is \$2,732.

## The Fiscal Year 2017 Levy Limit and Amount to be Raised

The following is a calculation of Ashburnham's estimated levy for fiscal year 2017.

Fiscal year 2016 levy	\$10,754,306
Levy increase allowed under Prop. 2 ½	268,858
New growth revenue (estimated)	108,135
Debt excluded under Prop. 2 ½	2,056,874
Fiscal year 2017 levy limit	13,188,173
Levy ceiling	14,350,720
<b>Levy to be raised (rounded by tax rate)</b>	<b>13,185,441</b>

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	545,329,574	95.0004	95.0004
Commercial	13,555,600	2.3615	
Industrial	4,291,300	0.7476	4.9996
Personal Property	10,852,315	1.8906	
TOTAL	574,028,789	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. Ashburnham, like most small Massachusetts towns, has in the past chosen not to shift taxes.

The goal of recent classification hearings has been to maintain a uniform tax rate across all classes of property. The Board of Assessors recommends that the Selectmen continue this practice.

## Tax Rates

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

<u>Property Class</u>	<u>FY2017</u>	<u>FY2016</u>
Residential	22.97	22.75
Commercial	22.97	22.75
Industrial	22.97	22.75
Personal Property	22.97	22.75

Note that the fiscal year 2017 rate is an estimate and may change upon Department of Revenue review.

## Tax Impacts

With a few exceptions fiscal year 2017 residential valuations have remained relatively unchanged from last year, reflecting a stable real estate market.

The average residential tax bill calculation will change as follows:

FY 2016 Average Single Family Valuation:	\$202,370
Taxes at \$22.75 per thousand	\$4,604
FY2017 Average Single Family Valuation:	\$204,109
Taxes at \$22.97 per thousand	\$4,688
Average Tax Increase	\$84

## **Recommendations**

The Board of Assessors recommends that the Board of Selectmen adopt a residential shift factor of 1.0000 with a corresponding CIP factor of 1.0000, thereby maintaining the relative shares of overall tax burden borne by the residential property owners in past years.

## **Voting a Tax Shift Factor**

The Ashburnham 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 2017 tax rates and set the Residential Factor at 1.0000, with a corresponding CIP shift of 1.0000, pending certification of the Town's annual tax recap by the Massachusetts Department of Revenue.