



Fiscal Year 2021

# Tax Classification Hearing

October 26, 2020

Winchendon Board of Assessors

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## **Introduction**

Each year, 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 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 & 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)

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.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the Town. Based on the Winchendon aggregate valuation of \$834,412,776, the town cannot levy taxes in excess of \$20,860,319.

New Growth Revenue: Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions, and personal property. The assessors have tabulated new growth revenues of \$339,529.

Levy Limit: Also referred to as the “maximum allowable levy”, 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. Voters approved capital debt exclusions totaling \$322,042.

Excess Levy Capacity: Excess levy capacity is the difference between the levy and the levy limit. Fiscal year 2021 excess capacity is \$179,124

## The Fiscal Year 2021 Levy Limit and Amount to be Raised

The following is a calculation of Winchendon’s levy limit for fiscal year 2021.

Fiscal year 2020 levy limit	\$12,322,980
Amended FY2020 Growth	3,382
Levy increase allowed under Prop. 2 ½	308,159
New growth revenue	339,529
Fiscal year 2021 levy limit	12,974,050
FY 2021 debt exclusion	322,042
Fiscal year maximum allowable levy	13,296,092
Levy ceiling	20,860,319
<b>Levy to be raised</b>	<b>\$13,116,968</b>
Excess levy capacity	\$179,124

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	749,405,912	89.8124	89.8124
Commercial	39,475,196	4.7309	
Industrial	14,884,700	1.7838	10.1876
Personal Property	30,646,968	3.6729	
TOTAL	834,412,776	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 Winchendon's relatively small commercial and industrial base, it would take a large shift of the tax burden from the residential class to the commercial and industrial class to yield a modest residential tax reduction.

## 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 Winchendon.

## Estimated Tax Rates

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

<u>Property Class</u>	<u>FY2021</u>	<u>FY2020</u>
Residential	\$15.72	16.28
Commercial	\$15.72	16.28
Industrial	\$15.72	16.28
Personal Property	\$15.72	16.28

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

## Tax Impacts

While the proposed tax rate is lower than last year, higher valuations resulting from the recently completed town revaluation will lead to modest tax bill increases for most property owners.

The residential classes, including single family homes, condominiums and land, have gone up slightly for FY 2021 reflecting the increase of sales prices due to a stronger real estate market.

### Examples of Typical Residential Tax Changes Based on the Estimated Tax Rate

<u>Residential Class</u>	<u>Average FY21 Value</u>	<u>Avg. Tax</u>	<u>Average FY20 Value</u>	<u>Avg. Tax</u>	<u>Change</u>
Single Family Homes	\$219,573	\$3,452	\$205,886	\$3,351	\$110
Condominiums	51,626	812	50,766	826	(\$14)
2 & 3 Family Homes	174,406	2,742	171,432	2,791	(\$49)
Apartment Buildings	287,644	4,522	280,654	4,569	(\$47)

In general, the commercial and industrial class valuations are flat for FY2021.

## Voting a Tax Shift Factor (proposed motion)

The Winchendon 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 2021 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	2,872	630,613,650	-0-	-0-	-0-
102-Condominiums	62	3,200,800	-0-	-0-	-0-
103,109-Misc Res	19	5,455,400	-0-	-0-	-0-
104-Two Family	219	38,410,700	-0-	-0-	-0-
105-Three Family	33	5,539,500	-0-	-0-	-0-
111-125-Apartments	50	14,382,200	-0-	-0-	-0-
130's-Vacant Land	918	30,256,200	-0-	-0-	-0-
012-043-Mixed Use	61	21,547,462	5,079,038	2,940,000	-0-
300-393-Commercial	153	-0-	33,432,800	-0-	-0-
400-449-Industrial	62	-0-	-0-	10,729,000	-0-
450-452-Industrial	5	-0-	-0-	1,215,700	-0-
500-508-Pers. Prop.	64	-0-	-0-	-0-	30,646,968
600's-Forestry	85	-0-	492,196	-0-	-0-
700's-Agricultural	45	-0-	161,442	-0-	-0-
800's-Recreation	17	-0-	309,720	-0-	-0-
<b>TOTAL BY CLASS</b>	<b>4,665</b>	<b>749,405,912</b>	<b>39,475,196</b>	<b>14,884,700</b>	<b>30,646,968</b>
<b>TOTAL TAXABLE PROPERTIES</b>					<b>834,412,776</b>
<b>TOTAL TAX EXEMPT PROPERTIES</b>					<b>137,865,750</b>