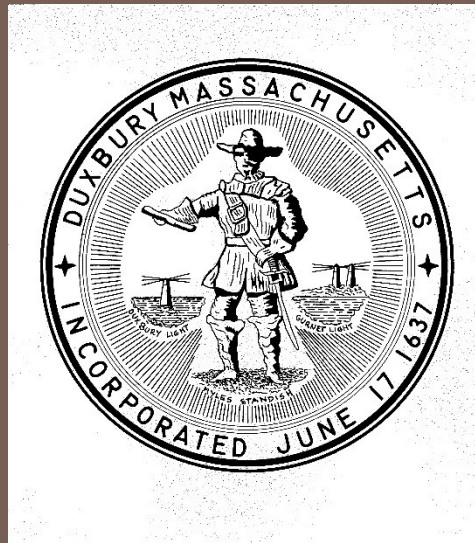


FISCAL YEAR 2021 CLASSIFICATION HEARING

A review of the property tax levy shifting options



November 16, 2020

Fiscal 2021 Single Family - Class 101

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This data represents the single family class of property in Duxbury which is 83.30% of the Town by value. No other class is higher than 4.87% of the Town. The entire residential class however makes up 96.24% of the Town.

	2020	%	2021	%
		Change		Change
		from '19		from '20
Parcel Count	4896	0.10%	4906	0.20%
Tax Rate	14.66	-0.14%	14.48	-1.23%
Average Bill	\$10,942.22	2.53%	\$11,259.65	2.90%
Average Increase	\$269.86	-25.15%	\$317.42	17.62%
Average Value	746,400	2.67%	777,600	4.18%
Median Bill	8,771.08	3.17%	8,929.82	1.81%
Median Increase	269.89	24.81%	158.74	-41.18%
Median Value	598,300	3.32%	616,700	3.08%

Fiscal 2021 – Tax Levy & Debt

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The Tax Levy is the amount to be raised from the real & personal property values of the Town. The tax rate is determined by dividing the tax levy by the new values to get a Tax Rate of \$14.48 per \$1,000 of value

	2020	%	2021	%
		change		change
		from '19		from '20
Tax Levy	64,176,449.00	2.52%	66,315,192.60	3.33%
Debt	7,336,812	-2.68%	7,157,289	-2.45%
CPA	550,223	2.94%	566,134	2.89%

Fiscal 2021 – New Growth

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New growth tax levy increased by 22.84% for FY2021. The Personal Property growth has been high over the past two years and history shows these levels should drop for FY2022

	2020	%	2021	%
		change		change
		from '19		from '20
Real Value	29,002,900	-15.53%	34,038,509	17.36%
Personal Value	7,534,080	91.28%	10,906,090	44.76%
Total Growth Value	36,536,980	-4.54%	44,944,599	23.01%
Levy Growth	\$536,363	-7.56%	\$658,888	22.84%

Classification Tax Allocation

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The town has never voted for these shifts. Doing so would shift the Tax Levy burden within a class or throughout all classes.

The following information summarizes the options available to the Board of Selectmen in determining the allocation of the local property tax levy among the four property classes, residential, open space, commercial and industrial, and personal property.

- | | | |
|------|-------------------------|--------------------------------------|
| I. | Shifting the Tax Factor | Affects All Properties |
| II. | Open Space Discount | Affects Only Residential Properties |
| III. | Residential Exemption | Affects Only Residential Properties |
| IV. | Small Commercial Exp | Affects Only Commercial & Industrial |

I. Residential Factor – Split Rate

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The Town has in the past maintained a single rate which does not over burden any class with additional tax implications.

Adoption of a Single or Split Tax Rate

Shifting the Tax Burden involves the Board of Selectmen voting to select a Residential Factor no higher than 1.50 or maintaining the single tax rate. Shifting the rate from 1.00 increases taxes for Mixed-Use, Commercial and Industrial and Personal Property (CIP) owners.

Due to the very small percentage of CIP classes within the Town of Duxbury, only 3.76% - a Split Tax Rate could be detrimental to the businesses in Town since most are smaller business owners.

Please see the next page showing the effects of split rate.

I. Residential Factor – Split Rate

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A shift of 1.5 would reduce the average residential bill **\$217.73** but would increase the average Commercial parcel by **\$5,390.90** a **50% increase**

Levy Amounts						Estimated Rates	
CIP Shift	Res	Comm	Ind	PP	Total	Res	CIP
1.0000	63,820,482	1,444,610	39,656	1,010,445	66,315,193	14.48	14.48
1.0500	63,695,747	1,516,841	41,639	1,060,967	66,315,194	14.45	15.20
1.1000	63,571,012	1,589,071	43,622	1,111,489	66,315,194	14.42	15.93
1.1500	63,446,277	1,661,302	45,605	1,162,011	66,315,195	14.40	16.65
1.2000	63,321,542	1,733,532	47,588	1,212,534	66,315,195	14.37	17.38
1.2500	63,196,807	1,805,763	49,571	1,263,056	66,315,196	14.34	18.10
1.3000	63,072,072	1,877,993	51,553	1,313,578	66,315,196	14.31	18.82
1.3500	62,947,337	1,950,224	53,536	1,364,100	66,315,197	14.28	19.55
1.4000	62,822,602	2,022,454	55,519	1,414,622	66,315,197	14.25	20.27
1.4500	62,697,867	2,094,685	57,502	1,465,145	66,315,198	14.23	21.00
1.5000	62,573,132	2,166,915	59,485	1,515,667	66,315,198	14.20	21.72

II. Open Space Discount

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Open Space Discount however has no lien attached to this class that could financially prohibit an owner from developing the land anyway.

Open Space is defined in M.G.L. Chapter 59, section 2A as: ...land which is not otherwise classified and which is not taxable under the provisions of chapters sixty-one, sixty-one A or sixty-one B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public.

State law allows properties classified as Open Space to be taxed at a rate discounted up to 25% from the uniform tax rate. The tax dollars lost by the discount are shifted to the residential class of properties, which includes developable vacant land. The local Board of Assessors must develop the criteria that must be met in order to classify a parcel as Open Space that meets the “significant contribution” for the benefit and enjoyment of the public criteria. Bedford was the last Town to have the discount but discontinued the classification in 2017. Currently no Town in the Commonwealth is using this classification.

III. Residential Exemption

This option reduces the taxable assessed value for each qualified primary residence. Duxbury has approximately 5,183 qualified properties for FY21 and the result of adoption would be a higher tax rate for all residential properties and a deduction from every qualified property's value before the tax is calculated at the higher tax rate.

Of the 351 communities in Massachusetts approximately 15 adopted the Residential Exemption in FY2020. They tend to be communities with a large number of **apartment buildings** (Boston, Brookline, Cambridge and Chelsea) or a large number of **second homes** (Barnstable, Tisbury and Nantucket).

If adopted, the Residential Exemption would shift the tax burden within the Residential Class from domiciled to non-domiciled taxpayers. This exemption reduces, by the adopted percentage, which may be between 20-35% of the average assessed value of all residential parcels, the taxable valuation of each residential parcel that is a taxpayers' principal residence. The residential exemption does not reduce the residential share of the tax levy for the fiscal year. Rather, the total tax reduction is offset by an increase in the residential tax rate which shifts the taxes not paid by eligible homeowners to residential properties not occupied by the owner. Thus, the Town will raise the full amount of the tax levy despite the higher tax break to some eligible homeowners.

This option shifts more of the residential burden to Non-Domiciled taxpayers. A possible downside of this shift is that those living in **rental housing** (with non-domiciled owners) are likely to have lower incomes than those who qualify to purchase homes. And, if the taxes increase for those landlords, it is likely that the increase will be passed along to the tenants. Also a complex like **The Village at Duxbury** would see a significant increase as well.

III. Residential Exemption

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This option reduces the taxable assessed value for each qualified primary residence. Duxbury has approximately 5,183 qualified properties for FY21 and the result of adoption would be a higher tax rate for all residential properties and a deduction from every qualified property's value before the tax is calculated at the higher tax rate.

If adopted,

It would **BENEFIT:**

Roughly 71% whose Principal Residence is in Duxbury

It would **NOT BENEFIT:**

Owners of Vacant Residential Land

Owners of Apartments (Landlords that do not occupy a unit within the property)

Owners of Second Homes in Duxbury, Owners of Mixed-Use or Investment Properties (Who do not occupy a residential unit in the property)

Owners of Higher Valued Principal Residences (Increase in tax rate will offset amount of exemption)

III. Residential Exemption

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This chart shows the Tax Bill Change if a 20% factor was adopted. A \$600,000 property would have a \$756.65 reduction while a \$1,000,000 dollar property would see a \$455.35 increase. These estimates are based on the property being a primary residence.

	Without Residential Exemption					
Assessed Value	\$600,000	\$700,000	\$777,600	\$849,720	\$850,000	\$1,000,000
Tax Rate	\$14.48	\$14.48	\$14.48	\$14.48	\$14.48	\$14.48
Tax Bill	\$8,688.00	\$10,136.00	\$11,259.65	\$12,303.95	\$12,308.00	\$14,480.00
	With Residential Exemption					
Assessed Value	\$600,000	\$700,000	\$777,600	\$849,720	\$850,000	\$1,000,000
Exemption	\$147,039	\$147,039	\$147,039	\$147,039	\$147,039	\$147,039
Net Value	\$452,961	\$552,961	\$630,561	\$702,681	\$702,961	\$852,961
Tax Rate	\$17.51	\$17.51	\$17.51	\$17.51	\$17.51	\$17.51
Tax Bill	\$7,931.35	\$9,682.35	\$11,041.12	\$12,303.94	\$12,308.85	\$14,935.35
Tax Bill Change	-\$756.65	-\$453.65	-\$218.52	\$0.00	\$0.85	\$455.35

IV. Small Commercial Exemption

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Of the 100 commercial parcels, 81 are under the \$1M value & the average value is **\$372,404**. A 10% value reduction would equal a **\$495.67** tax reduction that would be shifted to the non qualifying parcels

Of the 351 communities in Massachusetts 12 adopted the Small Commercial Exemption in FY2020 as well as having a split tax rate. If adopted, the Small Commercial Exemption would shift the burden so that qualified Commercial and Chapter Land properties could receive the benefit but the burden would be shifted to the other Commercial and all Industrial Properties. The exemption allows for up to a 10% reduction in value to qualifying properties.

As determined by statute, to be eligible for the Small Commercial Exemption, properties must:

- 1) Have an assessed value of less than one million dollars and
- 2) Be occupied by a business which has been certified by the *Dept. of Unemployment Assistance* as having no more than an average of ten employees in the previous year.

Of a potential 81 properties under \$1M only 24 qualify from the 2019 list.

Summary of FY 2021 Values

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The estimated tax rate for Duxbury in FY2021 is \$14.48. Based on this rate and the Tax Levy that will leave the Town with an excess levy capacity of \$39,417.40

Year	2020	2021	% Change	% of Levy
RES	4,212,300,181	4,407,492,535	4.63%	96.24%
COMM	98,849,480	99,763,089	0.92%	2.18%
IND	2,739,600	2,739,100	-0.02%	.06%
PP	63,767,560	69,783,770	9.43%	1.52%
TOTAL	4,377,656,821	4,579,778,494	4.62%	100.00%