

# Memorandum

DATE: November 9, 2018  
TO: Board of Selectmen  
FROM: Jan Dangelo, Director of Assessing  
RE: Additional Fiscal Year 2019  
Tax Classification Materials

Please accept this memorandum with additional information for the Fiscal Year 2019 Tax Classification Hearing Process.

I have included with this memo a packet of additional information for the Board's review. The information provided will help the Board understand what will be required at the Classification Hearing on November 13<sup>th</sup> 2018 when the Board will vote and adopt a residential factor. After the vote is taken, the Department of Revenue must approve local receipts and appropriations (the Recap). The Assessors will establish the Fiscal Year 2019 tax rate and will issue third quarter tax bills.

The information included with this memorandum contains section D regarding Levy Limit and Tax Options along with a copy of the Classification Presentation that will be presented to the Board.

I am available to answer any questions prior to the classification vote on November 13<sup>th</sup> 2018. Please contact me at 508-647-6418 or via email at [dangelo@natickma.org](mailto:dangelo@natickma.org).



*Town of Natick*  
*Massachusetts*

**FY2019 Classification Hearing  
Documentation & Information  
--- Review---**

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**Supplement III:**

Fiscal Year 2019 Tax Classification Hearing- Presentation

**MINIMUM RESIDENTIAL FACTOR COMPUTATION**  
**Fiscal Year 2019**

<b>A</b> <b>Class</b>	<b>B</b> <b>Full and Fair Cash</b> <b>Valuation</b>	<b>C</b> <b>Percentage Share</b>	
1. Residential	6,986,988,160	79.7299%	79.7299%
2. Open Space	0	0.0000%	
3. Commercial	1,581,359,820	18.0452%	20.2701%
4. Industrial	43,710,000	0.4988%	
5. Personal Property	151,268,190	1.7261%	
<b>TOTALS</b>	<b>8,763,326,170</b>	<b>100.0000%</b>	

Maximum Share of Levy for Classes Three, Four and Personal Property:  $150\% \times 20.2701\%$  (Lines 3C + 4C + 5C) = **30.4052%** (Max % Share)

Minimum Share of Levy for Classes One and Two:  $100\% - 30.4052\%$  (Max % Share) = **69.5948%** (Min % Share)

Minimum Residential Factor (MRF):  $69.5948\%$  (Min % Share) /  $79.7299\%$  (Lines 1C + 2C) = **87.2882%** (Minimum Residential Factor)

MINIMUM RESIDENTIAL FACTOR LA7 (6-96): **87.2882%**

Chapter 58, Section 1A mandates a minimum residential factor of not less than 65 percent.

## MassDOR - Massachusetts Department of Revenue

## Division of Local Services

## What If ... Scenario Worksheet for FY 2019

Natick - 198

CLASS	VALUE	%	
Residential	6,986,988,160	79.7299	R & O %
Open Space	0	0.0000	79.7299
Commercial	1,581,359,820	18.0452	
Industrial	43,710,000	0.4988	C I P %
Personal Property	151,268,190	1.7261	20.2701
Total	8,763,326,170	100.0000	

## ENTER A LEVY

Levy	111,381,875
Single TaxRate	12.71

## ENTER CIP SHIFT RANGE

Shift Range	1.00	1.50
Shift Increment %		1.00
Max Shift Allowed		1.50

Note: This table should be used for planning purposes only. Actual calculations may differ slightly due to rounding. For actual calculations, complete Recap.

		Share Percentages					Estimated Tax Rates			
CIP Shift	Res Factor	Res SP	OS SP	Comm SP	Ind SP	PP SP	Res ET	Comm ET	Ind ET	PP ET
1.00	1.0000	79.7299	0.0000	18.0452	0.4988	1.7261	12.71	12.71	12.71	12.71
1.01	0.9975	79.5272	0.0000	18.2257	0.5038	1.7434	12.68	12.84	12.84	12.84
1.02	0.9949	79.3245	0.0000	18.4061	0.5088	1.7606	12.64	12.96	12.96	12.96
1.03	0.9924	79.1218	0.0000	18.5866	0.5138	1.7779	12.61	13.09	13.09	13.09
1.04	0.9898	78.9191	0.0000	18.7670	0.5188	1.7951	12.58	13.22	13.22	13.22
1.05	0.9873	78.7164	0.0000	18.9475	0.5237	1.8124	12.55	13.34	13.34	13.34
1.06	0.9847	78.5137	0.0000	19.1279	0.5287	1.8297	12.51	13.47	13.47	13.47
1.07	0.9822	78.3110	0.0000	19.3084	0.5337	1.8469	12.48	13.60	13.60	13.60
1.08	0.9797	78.1083	0.0000	19.4888	0.5387	1.8642	12.45	13.73	13.73	13.72
1.09	0.9771	77.9056	0.0000	19.6693	0.5437	1.8814	12.42	13.85	13.85	13.85
1.10	0.9746	77.7029	0.0000	19.8497	0.5487	1.8987	12.39	13.98	13.98	13.98
1.11	0.9720	77.5002	0.0000	20.0302	0.5537	1.9160	12.35	14.11	14.11	14.11
1.12	0.9695	77.2975	0.0000	20.2106	0.5587	1.9332	12.32	14.23	14.23	14.23
1.13	0.9669	77.0948	0.0000	20.3911	0.5636	1.9505	12.29	14.36	14.36	14.36

What if...CIP Shift Examples.xlsx

CIP Shift	Res Factor	Share Percentages					Estimated Tax Rates			
		Res SP	OS SP	Comm SP	Ind SP	PP SP	Res ET	Comm ET	Ind ET	PP ET
1.14	0.9644	76.8921	0.0000	20.5715	0.5686	1.9678	12.26	14.49	14.49	14.49
1.15	0.9619	76.6894	0.0000	20.7520	0.5736	1.9850	12.22	14.61	14.62	14.61
1.16	0.9593	76.4867	0.0000	20.9324	0.5786	2.0023	12.19	14.74	14.74	14.74
1.17	0.9568	76.2840	0.0000	21.1129	0.5836	2.0195	12.16	14.87	14.87	14.87
1.18	0.9542	76.0813	0.0000	21.2933	0.5886	2.0368	12.13	15.00	15.00	15.00
1.19	0.9517	75.8786	0.0000	21.4738	0.5936	2.0541	12.09	15.12	15.12	15.12
1.20	0.9492	75.6759	0.0000	21.6542	0.5986	2.0713	12.06	15.25	15.25	15.25
1.21	0.9466	75.4732	0.0000	21.8347	0.6035	2.0886	12.03	15.38	15.38	15.38
1.22	0.9441	75.2705	0.0000	22.0151	0.6085	2.1058	12.00	15.50	15.50	15.50
1.23	0.9415	75.0678	0.0000	22.1956	0.6135	2.1231	11.97	15.63	15.63	15.63
1.24	0.9390	74.8651	0.0000	22.3760	0.6185	2.1404	11.93	15.76	15.76	15.76
1.25	0.9364	74.6624	0.0000	22.5565	0.6235	2.1576	11.90	15.89	15.89	15.89
1.26	0.9339	74.4597	0.0000	22.7370	0.6285	2.1749	11.87	16.01	16.01	16.01
1.27	0.9314	74.2570	0.0000	22.9174	0.6335	2.1921	11.84	16.14	16.14	16.14
1.28	0.9288	74.0543	0.0000	23.0979	0.6385	2.2094	11.80	16.27	16.27	16.27
1.29	0.9263	73.8516	0.0000	23.2783	0.6435	2.2267	11.77	16.39	16.39	16.39
1.30	0.9237	73.6489	0.0000	23.4588	0.6484	2.2439	11.74	16.52	16.52	16.52
1.31	0.9212	73.4462	0.0000	23.6392	0.6534	2.2612	11.71	16.65	16.65	16.65
1.32	0.9186	73.2435	0.0000	23.8197	0.6584	2.2785	11.67	16.78	16.78	16.77
1.33	0.9161	73.0408	0.0000	24.0001	0.6634	2.2957	11.64	16.90	16.90	16.90
1.34	0.9136	72.8381	0.0000	24.1806	0.6684	2.3130	11.61	17.03	17.03	17.03
1.35	0.9110	72.6353	0.0000	24.3610	0.6734	2.3302	11.58	17.16	17.16	17.16
1.36	0.9085	72.4326	0.0000	24.5415	0.6784	2.3475	11.55	17.28	17.28	17.28
1.37	0.9059	72.2299	0.0000	24.7219	0.6834	2.3648	11.51	17.41	17.41	17.41
1.38	0.9034	72.0272	0.0000	24.9024	0.6883	2.3820	11.48	17.54	17.54	17.54
1.39	0.9008	71.8245	0.0000	25.0828	0.6933	2.3993	11.45	17.66	17.67	17.66
1.40	0.8983	71.6218	0.0000	25.2633	0.6983	2.4165	11.42	17.79	17.79	17.79
1.41	0.8958	71.4191	0.0000	25.4437	0.7033	2.4338	11.38	17.92	17.92	17.92
1.42	0.8932	71.2164	0.0000	25.6242	0.7083	2.4511	11.35	18.05	18.05	18.05
1.43	0.8907	71.0137	0.0000	25.8046	0.7133	2.4683	11.32	18.17	18.17	18.17
1.44	0.8881	70.8110	0.0000	25.9851	0.7183	2.4856	11.29	18.30	18.30	18.30
1.45	0.8856	70.6083	0.0000	26.1655	0.7233	2.5028	11.25	18.43	18.43	18.43
1.46	0.8831	70.4056	0.0000	26.3460	0.7282	2.5201	11.22	18.55	18.56	18.55
1.47	0.8805	70.2029	0.0000	26.5264	0.7332	2.5374	11.19	18.68	18.68	18.68
1.48	0.8780	70.0002	0.0000	26.7069	0.7382	2.5546	11.16	18.81	18.81	18.81
1.49	0.8754	69.7975	0.0000	26.8873	0.7432	2.5719	11.13	18.94	18.94	18.94
1.50	0.8729	69.5948	0.0000	27.0678	0.7482	2.5892	11.09	19.06	19.06	19.06

## Number of Communities with Split Tax Rates

Fiscal Year	Number of Communities
2002	100
2003	99
2004	103
2005	107
2006	108
2007	108
2008	108
2009	107
2010	106
2011	107
2012	108
2013	110
2014	110
2015	110
2016	109
2017	109
2018	109

This data has historically been populated by reviewing the DLS databank "CIP Tax Shift" report and reviewing the utilized residential factor. That report has not been updated since 2016 and the utilized residential factor is not available through the databank. The FY2018 estimate has been generated by reviewing the DLS databank "Tax Rates by Class" report which illustrates the tax rates paid by different classes. Then, a review of non shift tax options is reviewed, such as the small commercial and residential exemptions to determine which communities are utilizing the CIP shift.

Massachusetts Department of Revenue  
Division of Local Services  
Municipal Databank\Local Aid Section

FY2018 Residential Exemptions Granted

Residential Exemptions	DOR Code	Percent Granted
Barnstable	020	20%
Boston	035	35%
Brookline	046	20%
Cambridge	049	30%
Chelsea	057	28%
Everett	093	25%
Malden	165	30%
Nantucket	197	25%
Provincetown	242	25%
Somerset	273	10%
Somerville	274	35%
Tisbury	296	18%
Truro	300	20%
Waltham	308	30%
Watertown	314	23%
Wellfleet	318	20%

The board may adopt a Residential Exemption of up to \*35% of the average residential value.

*\*Via local option, changed via Municipal Modernization Act, effective FY17*

The residential class average value is \$540,800

The residential exemption shifts the tax burden within the residential class. It does not split the tax rate. Non-owner occupied and many residential properties would actually pay a higher tax.

The residential exemption works well in communities with a high percentage of non-resident property owners such as the Cape and communities with a large number of apartments and rental units. Natick does not have a high percentage of non-resident owners.

This exemption does not make sense for a community like Natick.

Massachusetts Department of Revenue  
Division of Local Services  
Municipal Databank\Local Aid Section

Small Commercial Exemptions

Small Commercial Exemptions	DOR Code	Percentage
Auburn	017	10.0%
Avon	018	10.0%
Bellingham	025	10.0%
Berlin	028	10.0%
Braintree	040	10.0%
Dartmouth	072	10.0%
Erving	091	10.0%
New Ashford	200	10.0%
North Attleborough	211	5.0%
Seekonk	265	10.0%
Somerset	273	10.0%
Swampscott	291	10.0%
Westford	330	10.0%
Wrentham	350	10.0%

Fourteen communities adopted a small commercial exemption in 2018

The board may approve a small commercial exemption of up to 10%

This is only available to businesses that employ less than 10 people annually (as certified by the Department of Labor and Workforce Development) and are situated in a building that is valued less than \$1,000,000.

All businesses at the property must qualify. Approximately 37 properties may qualify.

Adoption a small commercial exemption without classifying taxes would result in an effective tax rate for some commercial properties that is less than the residential rate.

This exemption does not make sense for a community like Natick.