



Town of Wakefield

Classification Presentation and Selection of Minimum Residential Factor for Fiscal Year 2009

**Presented by the
Wakefield Board of Assessors**

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The information contained in this handout is intended to provide the Board of Selectmen with information necessary to conduct a public hearing on the classification options available under Massachusetts General Law. The classification amendment allows the board to consider several options that will be explained further along in this handout. Additionally, the decision of the board for each of the options must be submitted to the state's Department of Revenue on form LA 5.

The options presented for consideration are:

- Selection of a Minimum Residential Factor
- Selection of a discount for Open Space
- Granting of a residential and / or small commercial exemption

Selection of a residential factor

The Board of Selectmen has the option of selecting a factor of '1' which in effect, would adopt a single tax rate for all residential, commercial, industrial and personal property classes instead of shifting some of the tax burden off of the residential class and onto the CIP classes. If a factor of '1' were to be adopted, the single tax rate for all classes would be \$12.03. This rate is determined by dividing the tax levy by the total value of all taxable property in Wakefield and then multiplying that result by 1000.

Levy: \$45,730,617 / Value: \$3,801,443,211 = (0.01203) x 1000 = Tax Rate \$12.03

Chapter 200

In accordance with the provisions of MGL Chapter 200, the Board of Selectmen can choose to split the tax rate by shifting some of the tax burden from the residential class to the CIP classes of property. This results in a lower residential tax rate and a higher rate for the CIP sector.

In choosing to split the tax rate, the Board must remain cognizant of two important limitations contained within Chapter 200:

- 1) The residential tax burden cannot fall below 50% of their tax burden prior to shifting, and
- 2) The CIP sector cannot absorb more than 175% of their tax burden prior to the shift.

Historically, the selectmen have chosen the maximum allowable shift factor thereby affording residential taxpayers the lowest possible share of the tax burden allowed under state law.

The table below summarizes the tax rate impact at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL %	CIP %	RESIDENTIAL TAX RATE	CIP TAX RATE
0	1.00	84.9258	15.0742	\$12.03	\$12.03
1.01	.998225	84.7751	15.2249	\$12.01	\$12.15
1.25	.955626	81.1573	18.8427	\$11.50	\$15.04
1.50	.911251	77.3888	22.6112	\$10.96	\$18.04
1.75	.866877	73.6202	26.3798	\$10.43	\$21.05

(Bold print represents the maximum allowable shift capacity)

It is important to note that although the board is effectively choosing the CIP shift factor, it is technically selecting the Residential Factor in column two that is the result of selecting the CIP shift illustrated in the first column. The next two columns indicate the respective share of the tax burden resulting from the corresponding shift factor. The final two columns present the anticipated tax rates for each class.

For your information, the average single family home value for fiscal year 2009 is **\$398,900**. In consideration of that value, the table below summarized the anticipated FY 2008 average tax bill amounts at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL PERCENTAGE	RESIDENTIAL TAX RATE	EST. FY08 TAX BILL
1	1	84.9258	\$12.03	\$4799
1.25	95.5626	81.1573	\$11.50	\$4587
1.50	91.1251	77.3888	\$10.96	\$4372
1.75	86.6877	73.6202	\$10.43	\$4160

(Bold print represents the maximum allowable shift available for FY2009)

Additionally, the average commercial property valuation for fiscal year 2009 is **\$1,320,900**. The table below summarizes the anticipated FY2009 average tax bill amounts.

CIP SHIFT	FACTOR	CIP PERCENTAGE	CIP TAX RATE	EST. FY08 TAX BILL
1	1	15.0742	\$12.03	\$15,890
1.25	95.5626	18.8427	\$15.04	\$19,866
1.50	91.1251	22.6112	\$18.04	\$23,892
1.75	86.6877	26.3798	\$21.05	\$27,805

(Bold print represents the maximum allowable shift available for FY2009)

In accordance with the provisions of Chapter 200, the Town may select a CIP shift factor of up to 175% for FY2009.

If the intent of the Board of Selectmen were to afford residential taxpayers the lowest possible share of the tax burden allowed under state law for fiscal year 2009, then your minimum residential factor selection would be .866877 which would result in the following anticipated tax rates:

Residential Tax Rate	Commercial, Industrial & Personal Property Tax Rate
\$10.43	\$21.05

The results of the adoption of the aforementioned minimum residential factor as compared to last year's average tax bills are outlined in the following table:

Average Tax Bill Comparison FY 2008 to FY 2009	
FY2008 Avg. single family home value	\$425,000
FY2008 Avg. single family tax bill (\$9.65)	\$4101
FY2008 Avg. commercial property value	\$1,335,300
FY2008 Avg. commercial property tax bill (\$19.28)	\$25,745
Projected FY 2009 Tax Billing @ 175 CIP Shift	
Projected FY 2009 residential tax rate	\$10.43
Average residential tax rate difference	\$0.78
Projected FY2009 average single family tax bill	\$4160
Average single family tax bill difference	\$59 or 1.44%
FY2009 average commercial property value	\$1,320,900
Projected FY2009 CIP tax rate	\$21.05
CIP Tax Rate difference	\$1.77
Projected FY2009 CIP Tax Bill	\$27,805
Average CIP difference	\$2,060 or 8.0%

Selection of a Discount for Open Space

Massachusetts General Law, Chapter 59, section 2A defines class 2 open space as:

“land which is not otherwise classified and which is not taxable under provisions of Chapters 61A or 61B, 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.”

A maximum exemption of 25% may be adopted for all property that is classified as Open Space. The Town of Wakefield has never voted a discount for open space in the past since no properties have been identified which fulfill the requirements of this section.

Granting a Residential and/or Small Commercial Exemption

Residential

The Board of Selectmen may adopt a residential exemption for all residential properties in the town that are owner occupied. The exemption amount would be to 20% of the average assessed value of all properties eligible to be taxed at the residential tax rate, including vacant parcels as part of the total parcel count.

Although the thought of granting a residential exemption to owner occupied residential properties appears to be a form of tax relief, this is not the case here in Wakefield. It is true that some properties would receive tax relief through the adoption of this measure. However, since the tax levy remains the same and since it only shifts the tax burden within the residential class, the overall residential tax rate would increase substantially to compensate for this form of tax relief. In our case, the tax rate would rise from \$10.43 to an estimate of \$12.43.

According to the mechanics of this exemption, the tax burden for those owner occupied properties below the break even point would be decreased. For all other residential properties, the tax burden would increase. This would include all non-owner occupied residential properties and vacant land, as well as all owner occupied properties above the break even point since the exemption is deducted after the application of the much higher residential tax rate. Additionally, more assessing staff would be needed to accomplish the implementation and maintenance of this exemption.

The residential exemption has been adopted by only a handful of communities in the commonwealth including Boston, Cambridge, Chelsea and Brookline and has never been adopted in Wakefield. On a cautionary note, adoption of a residential exemption will significantly raise the residential tax rate while providing a benefit ONLY to those properties that are valued below the exemption's break even point.

Commercial

An exemption of up to 10% of the property valuation can be granted to commercial (not industrial) properties that meet the requirements set forth under the law. To qualify, eligible businesses must have occupied the property as of January 1, 2008 and must have had no more than 10 employees as certified by the Department of Employment and Training during the previous calendar year and the building must have a valuation of less than \$1,000,000. A business which is just one of several businesses within a commercial building would not be eligible for an exemption unless every business in that property qualified as well. Similar to the residential exemption, the levy does not change and the exemption is borne within the commercial class resulting in an overall increase of the CIP tax rate. The assessing department is unaware of any qualifying business properties in the town.

Additional Information

Further attached are some additional exhibits which you may find of interest.

Exhibit A is the form LA 4 that gives a breakdown of the various classes of property and their respective total valuations and parcel counts. This form must be reviewed and approved on an annual basis by the state's Department of Revenue.

The column entitled "Property Type" on the LA 4 contains the various classes of properties. The properties in the 100-series are the various types of residential properties in the community. The 300-series are commercial properties and the 400-series are industrial properties. The 012-043 represent mixed use commercial / residential properties and the 500-series are personal property accounts. All properties in the 100-series are taxed at the residential tax rate; all others are taxed at the CIP tax rate.

Exhibit B is the form used to determine the town's levy limit for FY 2009. Since the levy limit uses the prior year's levy as a basis, the FY2008 levy limit calculation is listed in section one of the form. The formula for calculating FY 2009's limit is illustrated in section two which takes last year's limit plus 2.5% plus new growth and any overrides or debt exclusions voted by the public. That total is the maximum allowable levy.

Exhibit C will provide you with some helpful definitions of some terms discussed as part of classification.

Exhibit D lists last year's tax rates and tax shifts for some neighboring communities.

Exhibit E provides a breakdown of the total levy by property class since 1986.

MASSACHUSETTS DEPARTMENT OF REVENUE

Exhibit A

DIVISION OF LOCAL SERVICES

ASSESSMENT/CLASSIFICATION REPORT FY2009

WAKEFIELD
City/Town/District

as of January 1, 2008

PROPERTY TYPE	ACCT/ PARCEL COUNT	CLASS 1 Residential Assessed Value	CLASS 2 Open Space Assessed Value	CLASS 3 Commercial Assessed Value	CLASS 4 Industrial Assessed Value	CLASS 5 Personal Property Assessed Value
101	6,175	2,463,125,900				
102	1,041	273,000,400				
MISC 103,109	1	507,900				
104	735	303,494,000				
105	135	60,372,300				
111-125	91	84,429,400				
130-32,106	293	20,435,100				
200-231	0		0			
300-393	318			420,043,100		
400-452	87				91,762,200	
CH 61 LAND	0		0	0		
CH 61A LAND	0		0	0		
CH 61B LAND	3		0	495,359		
012-043	81	23,042,693	0	18,652,507	562,800	
501	227					2,537,541
502	326					18,123,714
503	1					2,873
504,550-2	4					3,501,524
505	3					14,998,800
506	0					0
508	5					2,355,100
TOTALS	9,526	3,228,407,693	0	439,190,966	92,325,000	41,519,552
REAL AND PERSONAL PROPERTY TOTAL VALUE						3,801,443,211
EXEMPT VALUE						351,036,200

Submitted by: Board of Assessors

Victor Santaniello, Director Of Assessments, Wakefield,
781-246-6380
(Board of Assessors)

10/9/2008 4:45 PM
(Date)

I have authorization to sign on behalf of the Board of Assessors. All signatures o
(Comments)

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF REVENUE
FISCAL 2009 TAX LEVY LIMITATION FOR

WAKEFIELD

FOR BUDGET PLANNING PURPOSES

Exhibit B

I. TO CALCULATE THE FY 2008 LEVY LIMIT

A. FY 2007 Levy Limit	42,456,188
A1. ADD Amended FY 2007 Growth	0
B. ADD (IA + IA1) * 2.5%	1,061,405
C. ADD FY 2008 New Growth	404,441
D. ADD FY 2008 Override	0
E. FY 2008 Subtotal	43,922,034
F. FY 2008 Levy Ceiling	99,603,428

I. **\$43,922,034**
FY 2008 Levy Limit

II. TO CALCULATE THE FY 2009 LEVY LIMIT

A. FY 2008 Levy Limit from I.	43,922,034
A1. ADD Amended FY 2008 Growth	0
B. ADD (IIA + IIA1) * 2.5%	1,098,051
C. ADD FY 2009 New Growth	710,532
D. ADD FY 2009 Override	0
E. FY 2009 Subtotal	45,730,617
F. FY 2009 Levy Ceiling	95,036,080

II. **\$45,730,617**
FY 2009 Levy Limit

III. TO CALCULATE THE FY 2009 MAXIMUM ALLOWABLE LEVY

A. FY 2009 Levy Limit from II.	45,730,617
B. FY 2009 Debt Exclusion(s)	0
C. FY 2009 Capital Expenditure Exclusion(s)	0
D. FY 2009 Other Adjustment	0
E. FY 2009 Water / Sewer	0
F. FY 2009 Maximum Allowable Levy	\$45,730,617

Exhibit C

IMPORTANT TERMS

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus override / exclusion if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condominium conversions and property renovations but not due to revaluation. It is calculated by multiplying the increased assessed valuation by the prior year's tax rate for the appropriate class of property.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.
Debt Exclusion	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital project costs.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

Exhibit D

**FISCAL YEAR 2008 TAX RATES
FOR THE
TOWN OF WAKEFIELD
AND
NEIGHBORING COMMUNITIES**

COMMUNITY	RESIDENTIAL TAX RATE	CIP TAX RATE
WAKEFIELD	\$9.65	\$19.28
LYNNFIELD	\$10.03	\$11.35
READING	\$12.60	\$12.60
SAUGUS	\$8.76	\$18.41
STONEHAM	\$10.19	\$17.70
MELROSE	\$10.43	\$17.46

**FISCAL YEAR 2008
TAX SHIFT FOR
THE TOWN OF WAKEFIELD
AND
NEIGHBORING COMMUNITIES**

COMMUNITY	MAXIMUM ALLOWABLE SHIFT	FISCAL YEAR 2008 ACTUAL SHIFT	% OF TAX BASE RES.	%OF TAX BASE CIP
WAKEFIELD	1.75	1.75	85.8	14.2
LYNNFIELD	1.50	1.12	92.4	7.6
READING	1.50	1	92.1	7.9
SAUGUS	1.75	1.746	81.5	18.5
STONEHAM	1.625	1.61	89.3	10.7
MELROSE	1.75	1.62	95	5

Exhibit E**Tax Levies by Class FY 1986 to FY 2009**

FY	Res.	Open	Comm.	Ind.	Personal	Total Levy	Res % of Total	CIP % of Total
1986	12,594,639	40,145	3,232,117	1,606,745	250,280	17,723,926	71.29	28.71
1987	13,198,170	0	4,018,826	1,156,367	177,776	18,551,139	71.14	28.86
1988	13,552,536	0	4,163,682	1,224,786	191,348	19,102,352	70.79	29.21
1989	14,073,955	0	4,668,841	1,276,212	200,129	20,219,137	69.61	30.39
1990	14,005,791	0	5,407,122	1,597,972	172,386	21,183,271	66.12	33.88
1991	15,494,285	0	5,516,299	1,516,577	163,597	22,690,758	68.28	31.72
1992	15,675,336	0	5,882,975	1,670,403	197,705	23,426,419	66.91	33.09
1993	16,576,650	0	5,800,063	1,533,450	547,815	24,457,978	67.78	32.22
1994	17,812,715	0	5,344,028	1,452,954	511,342	25,121,039	70.91	29.09
1995	18,693,381	0	5,513,383	1,520,369	551,143	26,278,276	71.14	28.86
1996	19,795,810	0	5,573,655	1,527,892	399,651	27,297,008	72.52	27.48
1997	20,532,980	0	5,763,417	1,548,138	411,549	28,256,084	72.67	27.33
1998	21,202,092	0	6,016,879	1,597,179	456,478	29,272,628	72.43	27.57
1999	21,080,024	0	7,323,142	1,756,545	416,904	30,576,615	68.94	31.06
2000	21,813,968	0	7,948,486	1,822,621	410,612	31,995,687	68.18	31.82
2001	22,564,012	0	8,153,224	1,881,446	451,963	33,050,645	68.27	31.73
2002	23,477,679	0	8,515,578	1,936,015	540,153	34,469,425	68.11	31.89
2003	24,284,001	0	9,065,459	1,951,425	521,745	35,822,630	67.79	32.21
2004	25,006,718	0	10,008,286	2,018,354	800,534	37,833,892	66.10	33.90
2005	27,830,323	0	8,900,913	1,877,438	683,579	39,292,253	70.83	29.17
2006	30,254,930	0	8,196,549	1,726,572	566,051	40,744,102	74.26	25.74
2007	31,888,206	0	8,421,737	1,650,612	495,634	42,456,188	75.11	24.89
2008	33,021,468	0	8,610,777	1,775,046	527,796	43,922,034	75.15	24.85
2009	33,666,926	0	9,245,953	1,943,643	874,095	45,730,617	73.62	26.38