



Town of Wakefield

Classification Presentation and

Selection of a Minimum

Residential Factor for

Fiscal Year 2012

Presented by the

Wakefield Board of Assessors

Jane D'Addario, Chair

Sebastian Tine, MAA, Vice-Chair

Paul Faler

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J. Kenneth Muse, MAA, Assistant Assessor

The information contained in this handout is intended to provide the Board of Selectmen with the 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. Also, 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 class. If a factor of ‘1’ were to be adopted, the single tax rate for all classes of property would be \$13.82. 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: \$53,048,702 / Value: \$3,837,880,740 = (0.01382) x 1000 = Tax Rate \$13.82

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 share of the 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, your board has chosen the maximum allowable shift factor thereby affording residential tax payers 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	MRF	RES %	CIP %	RES TR	CIP TR
0	1	84.3879	15.6133	\$13.82	\$13.82
1.25	.953745	80.4833	19.5167	\$13.18	\$17.28
1.50	.907489	76.5800	23.4200	\$12.54	\$20.73
1.75	.861234	72.6767	23.3233	\$11.90	\$24.19

(Bold print represents the maximum allowable shift available for FY2012)

It is important to note that although the board is effectively choosing the CIP shift factor, it is technically selecting the Minimum Residential Factor in column 2 of the table on the previous page which results from the selection of the CIP shift 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 2012 is **\$400,800**. In consideration of that value, the table below summarizes the anticipated FY 2012 average tax bill amounts at various shift intervals.

CIP SHIFT	MRF	RES %	RES TAX RATE	EST 2012 BILL
0	1	84.3879	\$13.82	\$5,540
1.25	.953745	80.4833	\$13.18	\$5,283
1.50	.907489	76.5800	\$12.54	\$5,026
1.75	.861234	72.6767	\$11.90	\$4,770

(Bold print represents the maximum allowable shift available for FY2012)

Additionally, the average commercial property valuation for fiscal year 2012 is **\$1,179,400**. The table below summarizes the anticipated FY 2012 average commercial tax bill amounts.

CIP SHIFT	MRF	CIP %	CIP TAX RATE	EST 2012 BILL
0	1	15.6133	\$13.82	\$16,300
1.25	.953745	19.5167	\$17.28	\$20,380
1.50	.907489	23.4200	\$20.73	\$24,450
1.75	.861234	23.3233	\$24.19	\$28,530

(Bold print represents the maximum allowable shift available for FY2012)

In accordance with the provisions of Chapter 200, the Town may select a CIP shift factor of up to 175% for Fiscal Year 2012. 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 FY2012, then your Minimum Residential Factor selection would be **.861234** which would result in the following anticipated tax rates:

Residential Tax Rate	Commercial, Industrial & personal Property Tax Rate
\$11.90	\$24.19

The results of the adoption of the aforementioned Minimum Residential Factor as compared to last year's average tax bills are outlined in the table on the next page.

AVERAGE TAX BILL COMPARISON FY 2011 TO FY 2012	
FY 2011 Average single family home value.	\$400,100
FY 2011 Average single family tax bill (\$11.46 tr.).	\$4,585
FY 2011 Average commercial property valuation.	\$1,168,600
FY 2011 Average commercial property tax bill (\$23.32 tr.).	\$27,147
PROJECTED FY 2012 TAX BILLING @ 175 CIP SHIFT	
Est. FY 2012 residential tax rate.	\$11.90
Est. average residential tax rate difference.	\$0.44
Est. FY 2012 average single family tax bill.	\$4,770
Est. residential tax bill difference.	\$185 or 4.0%
FY 2012 average commercial property valuation.	\$1,179,400
Est. FY 2012 CIP tax rate.	\$24.19
CIP Tax Rate Difference.	\$0.87
Est. FY 2012 CIP Tax Bill.	\$28,530
Est. CIP tax bill difference.	\$1,383 or 5.1%

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 under this definition. The Town has never voted a discount for open space 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 could be up to 20% of the average assessed value of all eligible properties 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, it 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 the tax shift is only among the residential class, the overall residential tax rate would increase substantially to compensate for this form of tax relief. In our case for FY2012, the residential tax rate would rise from \$11.90 to an estimated \$14.43

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 significantly increase. This includes all non-owner occupied residential properties and vacant residential land, as well as 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 program.

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. In summation, adoption of a residential exemption will significantly raise the residential tax rate while providing a benefit ONLY to those properties below the break-even point.

Commercial:

An exemption of up to 10% of the property valuation can be granted to commercial, not industrial or personal, properties that meet the requirements set forth under the law. To qualify, eligible businesses must have occupied the property as of January 1, 2011 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 tax 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 Wakefield.

Additional Information:

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

Exhibit B is the form LA4 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 by the state's Department of Revenue annually.

The column entitled "Property Type" denotes the various classes of property with 100's being various residential types, the 300's are commercial properties and the 400's are industrials. The 012 – 043 represent mixed use properties and 500's are various categories of personal property. All properties in the 100's class are taxed at the residential tax rate; all others are taxed at the CIP rate.

Exhibit C is the town's levy limit calculation for FY 2012.

Exhibit D list 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.

Exhibit A

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 amount a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus debt exclusion / override 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, condo conversions and property renovations, but not due to revaluation. It is calculated by multiplying the increased assessed value by the prior year's tax rate for the property class.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between the levy ceiling and the levy limit. It is the maximum amount by which a community may override its levy limit.
Debt Exclusion	A temporary increase to the levy limit for the payment of a specific debt service item over a specified period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital projects.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

Exhibit B

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WAKEFIELD 2012

Jurisdiction Fiscal Year

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	6,202	2,485,448,900				
102	1,108	284,328,300				
Misc 103, 109	1	517,800				
104	736	286,007,200				
105	133	55,681,700				
111, 125	92	82,897,000				
130-132, 106	305	22,638,900				
200-231	0		0			
300-393	317			372,697,800		
400-452	96				81,343,000	
Ch-61 Land	0		0	0		
Ch-61A Land	0		0	0		
Ch-61B Land	3		0	502,102		
012-043	80	21,140,239	0	17,114,361	505,900	
501	199					9,244,241
502	306					24,253,758
503	0					0
504, 550-552	4					76,362,990
505	4					15,630,200
506	0					0
508	7					1,566,349
TOTALS	9,593	3,238,660,039	0	390,314,263	81,848,900	127,057,538
Real and Personal Property Total Value						3,837,880,740
Exempt Value						326,412,300

Signatures

Victor Santaniello, Dir Of Assessments, Wakefield, 781-246-6380 9/22/2011 9:59 AM

(Board of Assessors) (Date)

Comments: Submitted under the authorization of the Board of Assessors.

(Board of Assessors) (Date)

Comments:

(Board of Assessors) (Date)

Comments:

Exhibit C

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WAKEFIELD 2012

Jurisdiction Fiscal Year

I. TO CALCULATE THE FY 2011 LEVY LIMIT

A. FY 2010 Levy Limit	47,529,051	
A1. ADD Amended Fy 2010 Growth	0	
B. ADD (IA + IA1)*2.5%	1,188,226	
C. ADD FY 2011 New Growth	2,300,356	
D. ADD FY 2011 Override	0	
E. FY 2011 Subtotal	51,017,633	
F. FY 2011 Levy Ceiling	95,678,736	I. 51,017,633 FY 2011 Levy Limit

II. TO CALCULATE THE FY 2012 LEVY LIMIT

A. FY 2011 Levy Limit from I.	51,017,633	
A1. ADD Amended fy 2011 Growth	0	
B. ADD (IIA + IIA1)*2.5%	1,275,441	
C. ADD FY 2012 New Growth	752,781	
D. ADD FY 2012 Override	0	
E. ADD FY 2012 Subtotal	53,045,855	
F. FY 2012 Levy Ceiling	95,947,019	II. 53,045,855 FY 2012 Levy Limit

III. TO CALCULATE THE FY 2012
MAXIMUM ALLOWABLE LEVY

A. FY 2012 Levy Limit from II.	53,045,855
B. FY 2012 Debt Exclusion(s)	0
C. FY 2012 Capital Expenditure Exclusion(s)	0
D. FY 2012 Stabilization Fund Override	0
E. FY 2012 Other Adjustment	0
F. FY 2012 Water/Sewer	0
G. FY 2012 Maximum Allowable Levy	\$ 53,045,855

Signatures

(Board of Assessors)

(Date)

Comments: _____

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No Errors found.

Status of TaxRate Forms

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Exhibit D

**FISCAL YEAR 2011 TAX RATES
FOR WAKEFIELD AND
SURROUNDING COMMUNITIES**

COMMUNITY	RES TAX RATE	CIP TAX RATE	AVG SINGLE FAMILY TAX BILL	STATE HI-LO RANKING
WAKEFIELD	\$11.46	\$23.32	\$4585	107
LYNNFIELD	\$13.49	\$14.61	\$7112	39
READING	\$13.80	\$13.80	\$6109	50
SAUGUS	\$10.62	\$23.36	\$3446	213
STONEHAM	\$12.21	\$19.63	\$4720	101
MELROSE	\$12.46	\$19.01	\$4955	92

For Fiscal Year 2011, Wakefield had the lowest single family tax bill with the exception of Saugus which has a majority of the US Route 1 business district.

FISCAL YEAR 2011 TAX SHIFT

COMMUNITY	MAXIMUM ALLOWABLE SHIFT	FY 2011 ACTUAL SHIFT	RES % OF TAX BASE Before / After		CIP % OF TAX BASE Before / After	
WAKEFIELD	1.75	1.75	84.2	72.4	15.8	27.6
LYNNFIELD	1.50	1.076	91.8	91.3	8.2	8.7
READING	1.50	1.0	90	90	10	10
SAUGUS	1.75	1.75	78.6	62.6	21.4	37.4
STONEHAM	1.50	1.50	88.2	82.3	11.8	17.4
MELROSE	1.50	1.48	94.1	91.3	5.9	8.7

With the exception of Saugus which again has the US Route 1 business district, residential properties in Wakefield realize the lowest possible share of the tax burden with the Maximum Allowable Shift of 1.75.

Exhibit E

Tax Levies by Class 1986 to Present

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
2010	34,967,741	0	9,557,427	2,020,507	983,376	47,529,051	73.57	26.43
2011	36,939,315	0	9,077,817	1,921,201	3,079,300	51,017,633	72.41	27.59
2012	38,551,997	0	9,440,836	1,979,777	3,073,265	53,045,855	72.67	27.33