

Tax Rate Setting Process

Presented on September 19, 2017 by:

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Agenda

- Role of Board of Assessors
- Property Valuations
- Proposition 2 ½
- Tax Exemptions & Abatements
- Process Resulting in Property Tax Assessments
 - 10 Year Foxborough Property Tax History
 - Single Family Property Tax Community Comparisons
- Classification Hearing, i.e, Setting the Tax Rate
- Miscellaneous Topics

Board of Assessors Mission Statement

- The mission of the Board of Assessors is to value real and personal property efficiently, fairly and accurately, in accordance with the laws of the Commonwealth of Massachusetts; to administer motor vehicle excise, exemption, and abatement programs; and to address concerns of members of the public quickly and courteously.

What Do Assessors Do?

- The Assessors' Office is responsible for the administration of all laws and regulations regarding property tax assessment.
- The Assessors, as required by Chapters 59, 60A, 61, 61B, 121A of the MGL's and various Acts of the Legislature, perform the annual appraisal of approximately 6,519 parcels and accounts of property.
 - This includes:
 - Residential (5,541)
 - Commercial (298)
 - Industrial (95)
 - Personal Property, including Utilities (585)
- The Assessors also commit ~20,000 excise tax bills on motor vehicles each year.
- They also manage the abatement & exemption programs associated with all property valuations and excise tax bills.

What Does My Assessment Represent?

- The assessment is an estimate of market value.
- Definition of market value is the price a willing buyer would pay a willing seller in an open, competitive market, without any undue influences. (*i.e.*, “*Arms Length Sale*”)
- The assessments do not predict market value. They reflect (*or report*) market value for the assessed time period.
- The real estate market can change dramatically from year to year.
- The latest assessments represent the estimate of market value as of January 1, 2016 for Fiscal Year 2017 (*July 1, 2016 – June 30, 2017*).
- This estimate of market value for this last cycle was determined by examining sales of properties from late calendar year 2014, calendar year 2015, and early calendar year 2016 sales.
- Although the majority of properties are not for sale, Mass General Laws require an assessment, or estimate of market value, on every property.
- Sales of similar or comparable properties within a neighborhood are the best indicator of market value.

What % of Market Value are the Assessed Values?

- Assessments represent 100% of market value as required by Massachusetts General Laws.
- The assessments for Fiscal Year 2017 represent the estimate of market value as of January 1, 2016.
- Therefore, the assessments do not necessarily represent the “latest” or most current market value of a property. These assessments reflect values as of 12 to 24 months prior to taxes being assessed against said values.
- However, given that all property is assessed in the same way and in the same time frame, the assessed values are relative values to all of the other properties in the Town.
- Each owner’s property value as a percentage of the Town’s total taxable property represents their share of the Town’s total tax levy.

Do I have to Let the Assessors Into My House?

- You do NOT have to allow the assessors into your home.
- We only request the inspection in order to be as fair and accurate as possible.
- However, if an assessor is denied entrance, property owners give up their ability to challenge the assessed value.
- It is impossible to question an assessment if a property owner refuses to allow the assessors a view of the entire property.
- In instances where the assessors do not get into a property, estimates are made about the condition of the interior of the property, the kitchen and bath qualities, and whether there is finished attic or basement space, etc.
- The interior information of a property is essential in determining the estimate of market value.

Commercial Properties & Apartment Valuations

➤ A Market Approach

- The Market Approach to value is one tool used by the assessor to determine valuation and is most useful in the residential market where there are a lot of sales.
- Large apartment complexes, offices, and commercial buildings do not have a large market so the assessor employs an income approach to value to reach a fair assessment for these properties.

➤ An Income Approach

- The Income Approach takes the Net Operating Income (NOI), and divides it by a Capitalization Rate (CR), to provide a value.
- The NOI is the gross potential income generated by the rental of the property plus any miscellaneous income such as money from vending machines or leasing parking spots, less the vacancy of the property, less any reasonable expenses such as maintenance.
- The NOI is then divided by the CR which includes the tax rate, a depreciation amount and the interest rate, and it is expressed as a percentage. The assessor does not use each individual's information but prepares a table used for similar properties within the town.
- **Income & Expense information are confidential and NOT open to public inspection.**

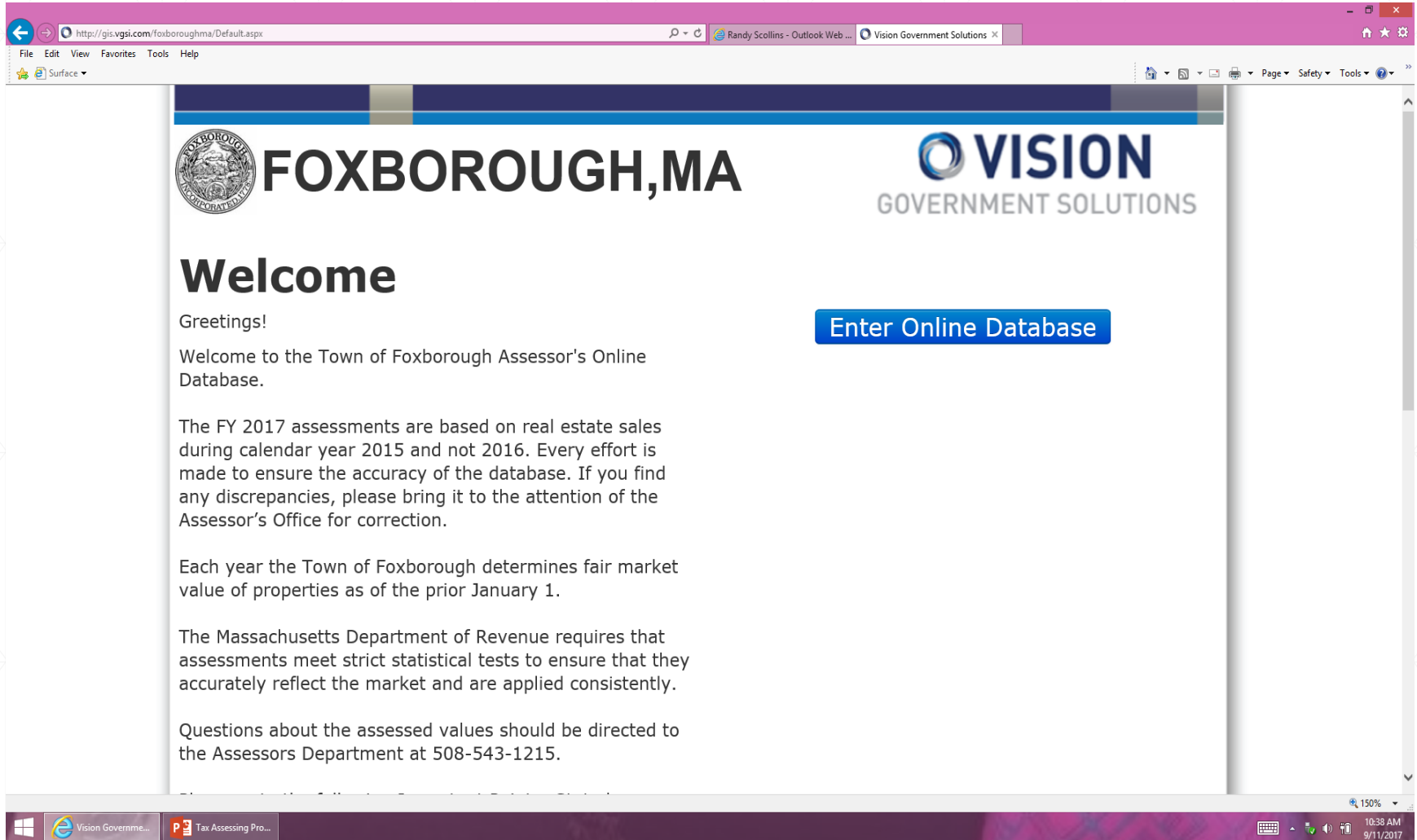
What is Personal Property?

- Personal Property is “tangible” property. That means the property physically exists. It is assets, goods and material objects used in the conduct of a business and is assessed separately from real estate.
- The assessment date is January 1 of each year. Any business that existed on that date is subject to Personal Property tax and will be billed for the entire fiscal year. This applies to businesses that have closed or relocated after the assessment date. Personal property tax is not prorated per Massachusetts General Law.

Who Must File a Personal Property Return?

- All proprietors, partnerships, associations, trusts and corporations must file a “Form of List” declaring items as Personal Property as of January 1 each calendar year. This is a state requirement.
- The “Form of List” is to be filed with the local Board of Assessors each year before March 1 to determine its fair market value. If property has no permanent location (e.g. construction equipment), it must be listed with the assessors in the city or town where the owner is domiciled (*legal place of residence*).
- The Board of Assessors uses the information provided on the “Form of List” to determine the taxable or exempt status of your personal property as well as its fair market value. The assessors may also require you to provide further information in writing about the property and to permit them to inspect the property.
- **“Forms of List” are confidential and NOT open to public inspection.**

Online Database of Real Property



FAQ: My Tax Bill Has Gone Up More Than 2.5%. Doesn't Proposition 2 ½ Limit the Tax Increase?

- Proposition 2 ½ limits the Town of Foxborough, and all other Massachusetts communities, by the amount of total Town wide property taxes that can be raised.
- Prop 2 ½ limits a community to raising town wide taxes, in total, by 2.5% from the previous year's levy limit.
- However, "new property growth" can increase this levy limit. New growth consists of property tax increases caused by new construction, renovations or land use changes.
- The levy limit can also be increased by general overrides, debt exclusions or capital exclusion ballot votes of the Town. Foxborough has never had a General Override (i.e., permanent tax increase) or a Capital Exclusion
- Proposition 2 ½ does not limit any individual property tax increase or decrease. The limit only applies to the grand total, or aggregate, property tax that a community raises. Depending on relative property value changes, taxes on a single property can change by greater or lesser amounts than 2.5%.
- The following slide illustrates how the Tax Levy changes in Foxborough as a result of Proposition 2 ½ increases, New Growth, & voted Debt Exclusions.

Proposition 2 1/2 and Tax Levy 10 Year History

FY 2008 - FY 2017

(\$ in 000's)

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 17 % Change
Prior Year's Levy Limit	25,619	26,708	28,545	31,490	32,571	33,971	35,341	36,800	38,564	40,615	
ADD: 2 1/2%	640	668	714	787	814	849	884	925	964	1,015	
ADD: New Growth	449	1,146	2,231	294	585	521	576	839	1,087	952	
Subtotal Levy Limit	26,708	28,522	31,490	32,571	33,971	35,341	36,800	38,564	40,615	42,583	4.8%
ADD: Debt Exclusions	1,853	1,306	1,420	2,036	2,444	2,933	2,862	2,799	2,737	2,585	-5.6%
TOTAL Levy Available	28,561	29,828	32,909	34,607	36,414	38,273	39,663	41,363	43,352	45,167	4.2%
Actual Levy	28,554	29,826	32,892	34,595	36,409	38,260	39,653	41,362	43,333	45,160	4.2%
Unused Levy	7	2	18	12	5	13	10	0	19	7	
Tax Rate -Residential	10.65	10.91	11.79	12.94	13.73	14.54	14.99	15.19	14.82	15.04	1.5%
-Business					14.86	15.13	17.09	17.52	17.65	17.13	-2.9%
Total Property Valuation	2,684,450	2,733,833	2,789,786	2,673,488	2,596,959	2,604,133	2,558,999	2,624,495	2,798,265	2,904,182	3.8%
Levy Ceiling (Outside Limit)	67,111	68,346	69,745	66,837	64,924	65,103	63,975	65,612	69,957	72,605	3.8%

The Prior Year's Levy Limit can be increased by 2 1/2 %.
New Growth Tax & Debt Exclusion Taxes are added to that.
Debt Exclusions are NOT part of the Prior Year's Levy Limit.

FAQ: I am elderly and cannot afford this tax bill.
Can't the assessors lower the assessment because I am elderly?

- The assessment is an estimate of market value.
- The selling price of a property is not related to the age of the owner.
- The assessment cannot be lowered or raised based on the age of the owner.
- The assessments are a reflection of the real estate market.
- Elderly owners do not sell their properties for any lower or higher prices than the market will allow.
- In general, if property owners throughout the town sell their homes for less, the assessments will decrease. If property owners sell their homes for more, the assessments will increase.
- However Foxborough has adopted several tax exemption programs and are summarized on the following slide.

Exemptions

Enabling Section	Type	Amount	Basic Requirements	FY '17 \$
Ch. 59 Sec. 5 Clause 17D	Surviving Spouse/Child	\$350	5 years in town, Income <\$40K	\$7,700
Ch. 59 Sec. 5 Clause 18	Hardship	Varies up to 100%	Age, Infirmary, & Means	\$11,436
Ch. 59 Sec. 5 Clause 22 A,C,D & E	Veterans	Varies up to 100%	Disability, Surviving Spouse, Unable to Work	\$126,781
Ch. 59 Sec. 5 Clause 37A	Blind	\$1,000	% Blind	\$7,000
Ch. 59 Sec. 5 Clause 41C	Elderly	\$1,000	Age: 65, 5 years in town, Income: <\$20K S, <\$30K M, Estate: <\$40K S, <\$55K M	\$18,500
Ch. 59 Sec. 5 Clause 42 & 43	Surviving Spouse or Children of Police or Fire killed in line of duty	100%	Domiciled in town, not remarried	\$5,796
Ch. 59 Sec. 5 Clause 41A	Tax Deferral	Up to 100% at 4% interest	Income: <\$40K S, <\$50K HH, <\$60K M	\$0
Article 2 Ch. 241 of Town Code	Sr. Workoff Program	\$1,500	Age: 60, If physically unable designee can perform the work	\$16,618

\$193,831

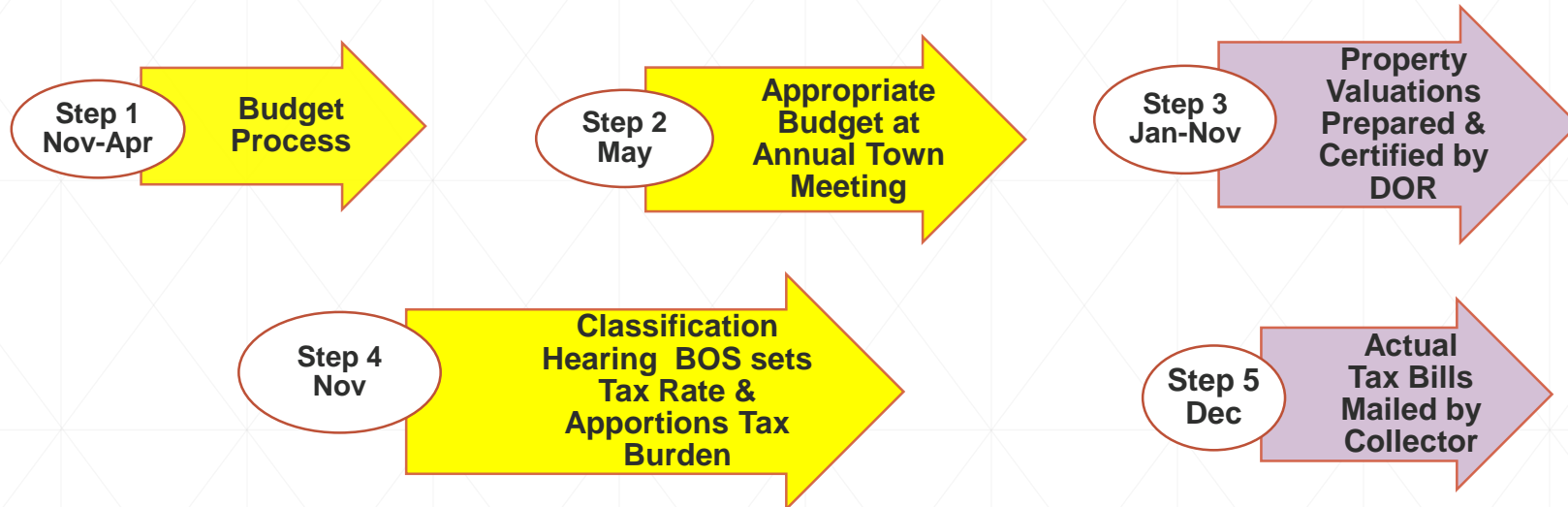
What is the Difference Between an Abatement and an Exemption?

- An Abatement is a reduction in a property valuation based on a correction to the assessed valuation.
- The assessed value has nothing to do with the age or income of the owner, or any other financial information about the owner.
- The assessment represents an estimate of market value.
- An exemption is a reduction in real estate tax due based on certain age, income, assets, or physical requirements set forth by state law.
- The only factor the assessors examine on an abatement application is the market value of the property. Exemption qualifications do not factor into assessment determination.
- An abatement is specific to the property, whereas an exemption is specific to the owner.
- The Board of Assessors welcomes questions about valuation of one's property in the interest of fair and equitable assessments.

FAQ: Soon I will not be able to afford to live in Foxborough. Why are you raising my taxes every year?

- The assessors do not raise or lower taxes. The assessors determine (or report) market value of property.
- The tax increase or decrease is determined by the budgetary requirements to provide the town services.
- Rising or falling assessed values do not mean rising or falling tax bills. The increase or decrease in taxes seen by the property owner is primarily a direct result of the increase or decrease in the budget.
- Individual property owners may also see an increase in their assessments due to renovations, additions or improvements that would cause an increase in their tax liability.
- There may also be some shifting of tax liability among classes of property (residential, commercial, industrial, & personal) based upon the overall increase or decrease in value of each particular class.
- Also, changes to the tax rate “split” between residential & business classes can have a significant impact on tax bills.

Steps from Budget Process to Tax Bills



The Budget process starts annually in November and completes at the ATM in May.
The Property Valuation process runs in parallel from January to November.
DOR Certifies all Values in a rigorous process by November.
BOS sets the Tax Rate in November by determining the split of burden between the classes of property.
Collector mails Tax Bills reflecting certified values and voted tax rate in December.

Tax Levy “Recap”

REVENUE USES:	FY 2016	FY 2017	Change	
			\$	%
Appropriations	68,277,971	76,862,325	8,584,354	12.57%
State Assessments	1,931,467	2,098,138	166,671	8.63%
Allowance for Abatements, Exemptions & Deficits	1,503,183	945,327	(557,856)	-37.11%
Total Revenue to be Raised	71,712,621	79,905,790	8,193,169	11.43%
REVENUE SOURCES:				
NON-TAX REVENUE SOURCES:				
Cherry Sheet Receipts	10,621,713	10,729,474	107,761	1.01%
Local Receipts	8,349,610	9,340,926	991,316	11.87%
Total Enterprise Revenue	5,533,636	7,871,518	2,337,883	42.25%
Free Cash	2,149,093	3,625,535	1,476,442	68.70%
Available Funds	1,725,876	3,178,312	1,452,436	84.16%
Total Non-Tax Revenue Sources	28,379,928	34,745,765	6,365,837	22.43%
TAX LEVY REQUIRED	43,332,693	45,160,024	1,827,332	4.22%
TOTAL TAX & NON-TAX REVENUE	71,712,621	79,905,790	8,193,169	11.43%

Appropriations & Revenue Sources include the voted Operating & Capital budgets from both the STM & ATM. The Tax Levy makes up the funding difference left after applying all other Non-Tax Revenue Sources.

Average Residential Tax History for Single Family, Including Condominiums & Mixed Use FY 2007 – FY 2017

<u>FY</u>	<u># Parcels</u>	<u>Avg. Value</u>	<u>% Change</u>	<u>Tax Rate</u>	<u>Avg. Tax</u>	<u>% Change</u>	<u>\$ Change</u>
2017	4,802	399,546	1.70%	15.04	6,009.16	3.21%	186.95
2016	4,786	392,862	7.03%	14.82	5,822.21	4.42%	246.58
2015	4,767	367,059	1.97%	15.19	5,575.63	3.33%	179.89
2014	4,745	359,956	-1.24%	14.99	5,395.74	1.82%	96.37
2013	4,715	364,469	0.17%	14.54	5,299.37	6.07%	303.47
2012	4,704	363,867	-2.36%	13.73	4,995.90	3.61%	173.86
2011	4,688	372,646	-2.29%	12.94	4,822.04	7.24%	325.71
2010	4,654	381,368	-4.60%	11.79	4,496.33	3.09%	134.97
2009	4,535	399,758	-1.03%	10.91	4,361.37	1.38%	59.57
2008	4,516	403,924	-4.23%	10.65	4,301.79	2.82%	117.96
2007	4,456	421,757	2.77%	9.92	4,183.83	-1.21%	(51.22)
<u>ACTUAL DOLLARS</u>							
Cumulative Change	346	(22,211)	-5.3%	5.12	1,825.34	43.6%	1,825.34
10 Year Avg. Change	35	(2,221)	-0.5%	0.51	182.53	4.4%	182.53

**Residential tax increases have averaged 4.4%
over the last 10 years, or \$183 per year.**

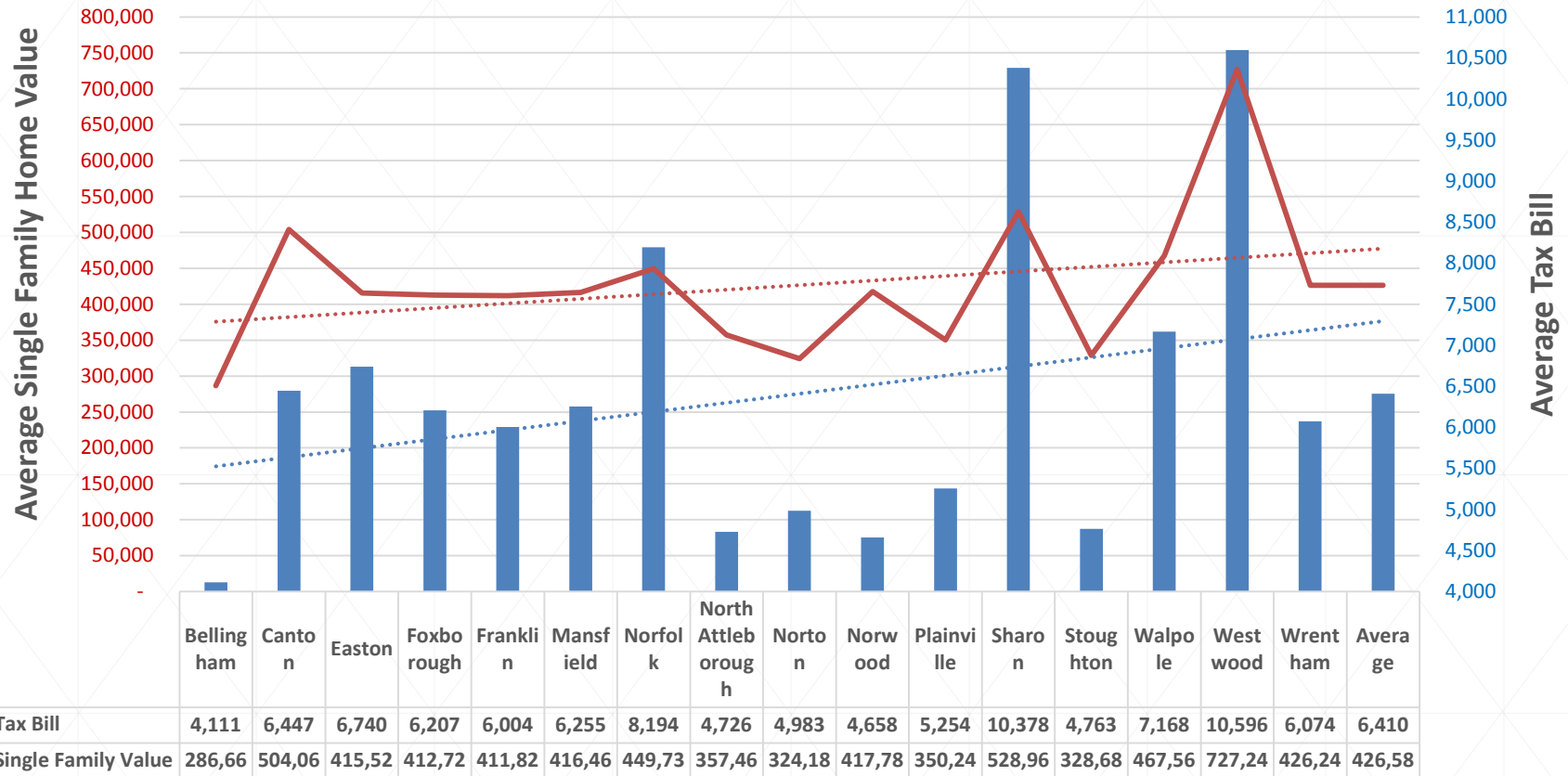
My assessment increased 20%.

Does that mean my taxes will increase 20%?

- No. The valuation change is not solely indicative of the tax change.
- There are three components that determine the tax rate.
 - First are the budgetary requirements to run the town.
 - Second is the overall value of the property within the town.
 - Third is the vote of the BOS on the tax rate at their classification hearing.
- For example, if the budget increases 5%, then the tax increase for the town in total would be approximately 5%, regardless of what happened to the overall assessed values.
- If the budget increased 5% and all the assessments in the town went up, or down, 20%, the average tax increase would still be ~5%.
- The tax rate, which is calculated simply by dividing the budget by the value of property, would decrease approximately 15% with 20% rising property values, or would increase approximately 25% with 20% declining property values.

Surrounding Community Comparison of FY 2017 Average Single Family Property (101) & Tax Bills

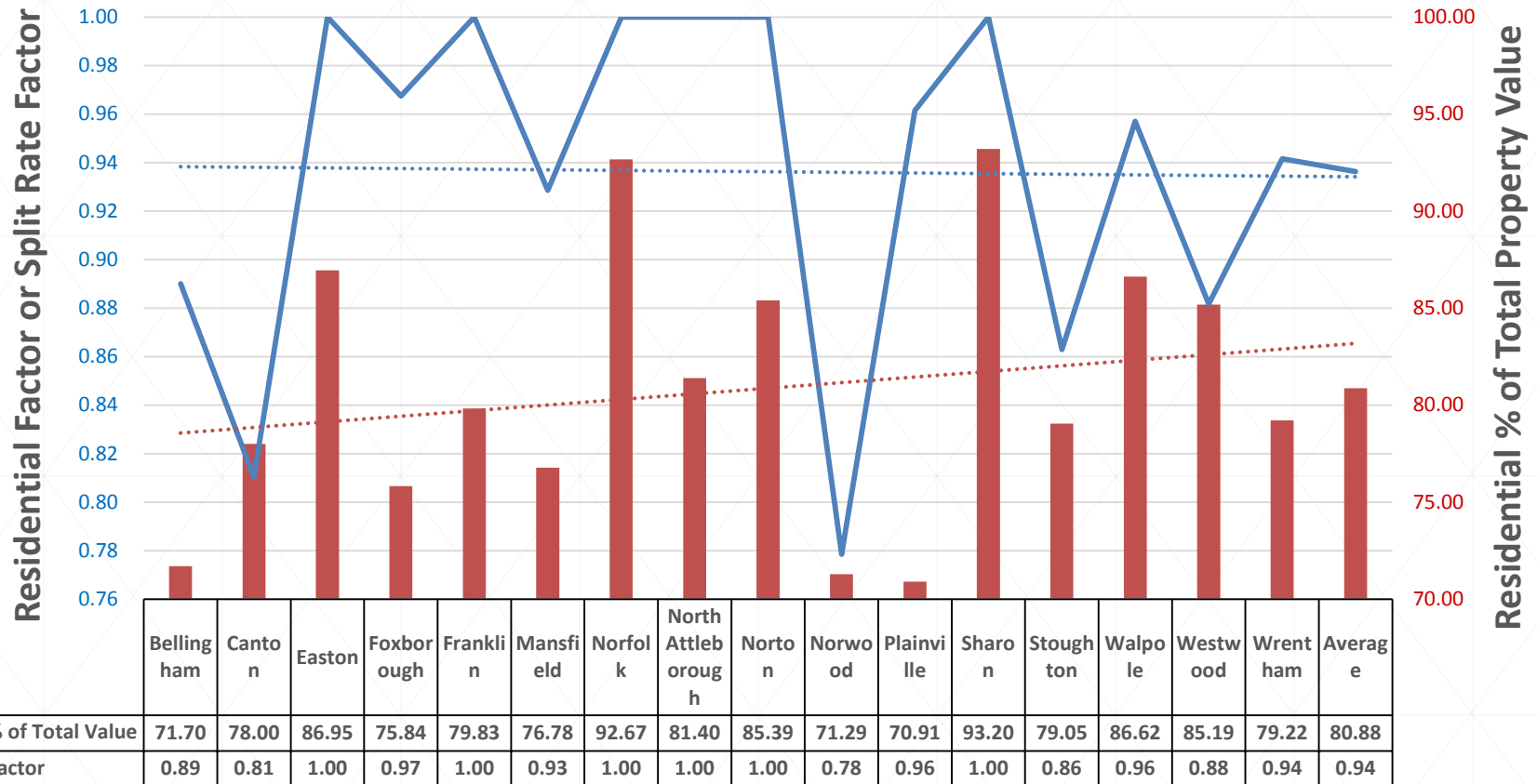
Average Tax Bill and Average Single Family Home Value



**Foxborough's average Tax Bill is 3.2% less than the surrounding community avg.
Foxborough's home values are also 3.2% less than the average.**

FY 2017 Surrounding Community Comparison

Residential Factor Vs. Residential % of Total Property Value



Foxborough has the least aggressive Split Tax Rate among the 10 towns that split. Foxborough's Residential % of Total Value indicates a larger split is reasonable.

Tax Impact of Property Valuation Shifts

	% of Total Assessed Valuation								FY '10 - '17
Property Type	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	% Shift
Residential	72.80%	74.15%	74.38%	74.23%	75.94%	75.53%	76.48%	75.84%	3.03%
Total C.I.P.	27.20%	25.85%	25.62%	25.77%	24.06%	24.47%	23.52%	24.16%	-3.03%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%

The effect of the shift of 3.03% of value to residential over the last 7 years would have shifted \$1.37MM in taxes from business to residential in FY '17.

The BOS split tax rate votes in FY '12 & FY '14 reflected the Board of Assessors FY '10 targeted split of tax.

The split rates voted in FY '13, '15, '16 & '17 moved some of this burden back to residential.

In FY '17 \$1.11MM of the \$1.37MM in tax was shifted back to business. The difference of \$260K represents \$44 to the average residential taxpayer.

FY 2017 Analysis of Tax Burden Shifting from Residential to Business (CIP)

	Value	Tax Rate	Tax	% Change	\$ Change	Voted Res Factor	Factor % Shift	% Share of Burden Residential Business		
No Classification										
Average Residential	397,476	15.55	6,180.75	0.00%	-	NO SPLIT	0.00%	75.84%	24.16%	
Average CIP	717,554	15.55	11,157.97	0.00%	-	1.000000				
1.01 CIP Shift										
Average Residential	397,476	15.50	6,160.88	-0.32%	(19.87)	0.996814	0.32%	75.59%	24.41%	
Average CIP	717,554	15.71	11,272.78	1.03%	114.81					
1.02 CIP Shift										
Average Residential	397,476	15.45	6,141.00	-0.64%	(39.75)	0.993627	0.64%	75.35%	24.65%	
Average CIP	717,554	15.86	11,380.41	1.99%	222.44					
1.05 CIP Shift										
Average Residential	397,476	15.30	6,081.38	-1.61%	(99.37)	0.984068	1.59%	74.63%	25.37%	
Average CIP	717,554	16.33	11,717.66	5.02%	559.69					
1.1020 CIP Shift										
EQUALIZE TAX INCREASE % SPLIT - FY '17 VOTED										
Average Residential	397,476	15.04	5,978.04	-3.28%	(202.71)	0.967499	3.25%	73.37%	26.63%	
Average CIP	717,554	17.14	12,298.88	10.23%	1,140.91					
1.1095 CIP Shift										
FY '16 VOTED SPLIT										
Average Residential	397,476	15.01	5,966.11	-3.47%	(214.64)	0.965109	3.49%	73.19%	26.81%	
Average CIP	717,554	17.25	12,377.81	10.93%	1,219.84					
1.11 CIP Shift										
Average Residential	397,476	15.00	5,962.14	-3.54%	(218.61)	0.964950	3.50%	73.18%	26.82%	
Average CIP	717,554	17.26	12,384.98	11.00%	1,227.02					
1.12 CIP Shift										
Average Residential	397,476	14.96	5,946.24	-3.79%	(234.51)	0.961764	3.82%	72.94%	27.06%	
Average CIP	717,554	17.42	12,499.79	12.03%	1,341.83					
1.1256 CIP SHIFT										
WE WERE HERE in FY '10 -ORIGINALLY TARGETED SPLIT - & FY '12 & FY '14 VOTED SPLIT										
Average Residential	397,476	14.93	5,934.31	-3.99%	(246.44)	0.959979	4.00%	72.80%	27.20%	
Average CIP	717,554	17.50	12,557.20	12.54%	1,399.23					
1.13 CIP Shift										
Average Residential	397,476	14.91	5,926.36	-4.12%	(254.38)	0.958577	4.14%	72.69%	27.31%	
Average CIP	717,554	17.57	12,607.43	12.99%	1,449.46					
1.15 CIP Shift										
Average Residential	397,476	14.81	5,886.62	-4.76%	(294.13)	0.952205	4.78%	72.21%	27.79%	
Average CIP	717,554	17.88	12,829.87	14.98%	1,671.90					
1.20 CIP Shift										
Average Residential	397,476	14.56	5,787.25	-6.37%	(393.50)	0.936273	6.37%	71.00%	29.00%	
Average CIP	717,554	18.66	13,389.56	20.00%	2,231.59					
1.50 CIP Shift										
Average Residential	397,476	13.07	5,195.01	-15.95%	(985.74)	0.840682	15.93%	63.75%	36.25%	
Average CIP	717,554	23.32	16,733.36	49.97%	5,575.40					

Result of the FY 2017 Split Tax Rate

	FY 2016	FY 2017	Change	
			\$	%
<u>All Property</u>				
Tax Levy	43,332,693	45,160,024	1,827,332	4.22%
Property Values	2,798,264,830	2,904,181,620	105,916,790	3.79%
Rate - Residential	14.82	15.04	0.22	1.48%
Rate - Business	17.65	17.14	(0.51)	-2.89%
<u>Residential & Condominium</u>				
Average Value	392,862	399,546	6,684	1.70%
Number of Parcels	4,786	4,802	16	0.33%
Average Tax	5,822	6,009	187	3.21%
<u>Residential (101)</u>				
Average Value	406,250	412,725	6,475	1.59%
Number of Parcels	4,298	4,302	4	0.09%
Average Tax	6,021	6,207	187	3.10%
<u>TOTAL Commercial, Industrial & Personal Property (CIP)</u>				
Total CIP Values	658,094,644	701,767,972	43,673,328	6.64%
Total CIP Accounts	976	978	2	0.20%
Average CIP Tax	11,901	12,299	398	3.34%

Avg. Residential Tax Increase was 3.21% for most Residential & 3.34% for Business.

FAQ:

Why is the previous owner's name still appearing on the tax bill?

- Legally, the assessors must retain the owner of record as of January 1, 2016 for Fiscal Year 2017.
- If you purchased the property after January 1, by law we will carry both your name and the legal owner as of January 1, 2016.
- For Fiscal Year 2018, the legal owner as of January 1, 2017 will be maintained. This is when the prior owner would be removed and your name would be the only name appearing on the ownership record.

FAQ: I have a new house and recently I received a supplemental tax bill for the same fiscal year. Why did I receive more than one tax bill for the same property for the same fiscal year?

- The Town of Foxborough complied with Massachusetts law to issue a supplemental tax bill to property owners whose property had construction resulting in an increase in market value (assessment) of more than 50%.
- This provision is triggered by the issuance of an occupancy permit and an increase in market value of more than 50%.
- The assessors analyze all properties with occupancy permits to determine if the construction added more than 50% to the fair market value of the property.
- If the construction added more than 50% to the fair market value of the property, then a supplemental tax bill is issued.
- The supplemental tax is based on the difference between the original market value and the new market value, multiplied by the tax rate and prorated from the date of the occupancy permit to the end of the fiscal year.
- In certain instances, a property owner could receive a supplemental tax bill for the prior fiscal year as well as the current fiscal year, depending on the date of the occupancy permit.