



# Town of Wayland Fiscal Year 2019 Tax Classification Hearing

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**BOARD OF SELECTMEN  
DECEMBER 3, 2018**

**PREPARED BY:  
BOARD OF ASSESSORS  
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**BRUCE MORGAN,  
DIRECTOR OF ASSESSING**

# Purpose of this Hearing

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- **To adopt the Town's Tax Policy by allocating or classifying the tax levy among the property types**

# Action Required by Board of Selectmen

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- **The Board of Selectmen will vote tonight on how to adopt the Tax Rate Policy:**
  - As a single or uniform tax rate
  - As a multiple or split tax rate
  - To implement a Small Commercial Exemption
  - To implement a Residential Exemption

# Property Assessment Review

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- Fiscal Year 2019 was a Certification Year for the Assessing Department with the Department of Revenue certifying assessed values on November 13, 2018.
- The average residential single family assessment rose from \$715,800 to \$750,500, an increase of 4.85% from the Fiscal Year 2018 assessments.
- This increase was based on sale prices for properties selling in 2017.

# Property Assessment Review (continued)

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- Commercial, Industrial and Personal Property (CIP) values have not increased at the same rate.
- The average commercial assessment increased from \$1,136,900 to \$1,178,100; an increase of 3.63%.
- Personal Property total valuation increased by 0.76%.



# Property Assessment Review (continued)

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- Due to Residential values rising more than Commercial, Industrial and Personal Property, Fiscal Year 2019 values shifted to Residential by 0.08% from Fiscal Year 2018.

	Residential	CIP
Fiscal Year 2019	95.16%	4.84%
Fiscal Year 2018	95.08%	4.92%
Shift	0.08%	-0.08%

# Property Assessment Review (continued)

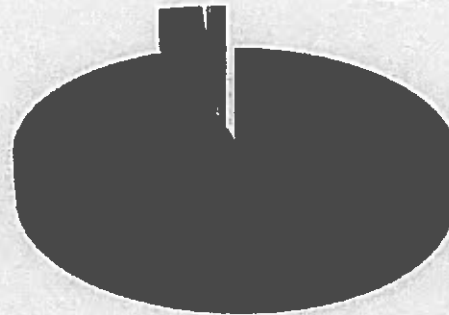
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Assessment Date:	January 1, 2018	January 1, 2017					
Property Class	FY19 Valuation	FY 18 Valuation	\$ Change FY18to FY19	% Change FY18 to FY19	FY19 % Share	FY18 % Share	FY09 % Share
Class 1 - Residential	3,588,644,790	3,430,086,890	158,557,900	4.62	95.16%	95.08%	94.94%
Class 2 - Open Space	0	0			0.000%	0.000%	0.000%
R/O Subtotal	3,588,644,790	3,430,086,890	158,557,900	4.62	95.16%	95.08%	94.94%
Class 3 - Commercial	132,189,710	127,493,310	4,696,400	3.68	3.51%	3.53%	3.07%
Class 4 - Industrial	4,470,100	4,383,900	86,200	1.97	0.12%	0.12%	0.93%
Class 5 - Personal Property	45,816,700	45,470,000	346,700	0.76	1.21%	1.26%	1.06%
C/I/P Subtotal	182,476,510	177,347,210	5,129,300	2.89	4.84%	4.92%	5.06%
Total Taxable Assessed Value	3,771,121,300	3,607,434,100	163,687,200	4.54			
Class 9 - Exempt	310,750,200	297,992,500	12,757,700	4.28			

# Classification Percentages

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- Residential (RES)
- Commercial (CIP)
- Industrial (CIP)
- Personal Property (CIP)

Class	Value	Percentage by Property Type	Total Percentage by Property Class
Residential (RES)	3,588,644,790	95.16%	95.16% (RES)
Open Space	0	0.0000%	
Commercial (CIP)	132,189,710	3.51%	4.84% (CIP)
Industrial (CIP)	4,470,100	0.12%	
Personal Property (CIP)	45,816,700	1.21%	
<b>Total</b>	<b>3,771,121,300</b>	<b>100.00%</b>	<b>100.00%</b>



# New Growth

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- **New Growth is defined by the DOR as a dollar increase in the annual levy limit that reflects additions to the community's tax base since the last fiscal year.**
- **New Growth was certified on November 13, 2018 at \$24,185,270 in Assessed Value, or \$ 436,060 in Tax Levy Growth (based on the FY18 tax rate of \$18.03).**
- **New Growth in FY18 was \$38,271,437 , resulting in a decrease of 37% in Fiscal Year 2019. The decrease is a result of much less building activity in town, especially among single family and residential condo properties (decreases of about \$6,000,000 each).**

# How the Tax Rate is Calculated

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<b>FY 2019 Property Tax Levy</b>	<b>\$68,936,097</b>	
<hr/>	<hr/>	<b>= 0.01828</b>
<b>FY 2019 Town Taxable Valuation</b>	<b>\$3,771,121,300</b>	

or

**\$18.28 per thousand dollars of assessed value  
if a uniform rate is selected tonight**

# Classification Alternatives

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- The options presented for consideration are:
  - Selection of a Minimum Residential Factor
  - Granting of a Residential and/or Small Commercial Exemption

# Selection of Minimum Residential Factor

- A residential factor of 1 will result in the taxation of all property at the same rate (single tax rate).
- A residential factor of less than 1 increases the share of the levy raised by Commercial, Industrial and Personal Property (CIP) owners and reduces the share paid by residential property owners (split tax rate).
- Since 95.1612% of Wayland tax revenue comes from Residential, a slight reduction for the residential properties would put a large increase on CIP properties.
- The minimum residential factor for the Town of Wayland for Fiscal Year 2019 is 97.4576, as determined by the MA Department of Revenue.

# Potential Impact of Shifting the Residential Factor

CIP SHIFT	Residential Factor	Residential Share Percentage	CIP Share Percentage	Residential Tax Rate per Thousand	CIP Tax Rate Per Thousand
1.00	100.00	95.16%	4.84%	\$18.28	\$18.28
1.10	99.49	94.68%	5.32%	\$18.18	\$20.10
1.20	98.98	94.19%	5.81%	\$18.09	\$21.93
1.30	98.47	93.71%	6.29%	\$18.00	\$23.76
1.40	97.97	93.23%	6.77%	\$17.90	\$25.59
1.50	97.46	92.74%	7.26%	\$17.81	\$27.41

Please see Exhibit B What if...Scenario Worksheet for shift options in 1% increments.

SOURCE: Exhibit B = MA DOR – SCENARIO WORKSHEETS



# Potential Impact of Shifting the Residential Factor for Select Residential Assessed Values

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<b>CIP SHIFT</b>	<b>Residential Factor</b>	<b>Residential Tax Rate per Thousand</b>	<b>Assessed Value \$400,000</b>	<b>Median Residential Value \$664,800</b>	<b>Average Residential Value \$750,500</b>	<b>Assessed Value \$1,500,000</b>
<b>1.00</b>	100.00	\$18.28	7,312	12,153	13,719	27,420
<b>1.10</b>	99.49	\$18.18	7,272	12,086	13,644	27,270
<b>1.20</b>	98.98	\$18.09	7,236	12,026	13,577	27,135
<b>1.30</b>	98.47	\$18.00	7,200	11,966	13,509	27,000
<b>1.40</b>	97.97	\$17.90	7,160	11,900	13,434	26,850
<b>1.50</b>	97.46	\$17.81	7,124	11,840	13,366	26,715

# Potential Impact of Shifting the Residential Factor for Select Commercial & Industrial Assessed Values

<b>CIP SHIFT</b>	<b>Commercial and Industrial Tax Rate per Thousand</b>	<b>Assessed Value \$400,000</b>	<b>Median Commercial and Industrial Value \$586,200</b>	<b>Average Commercial and Industrial Value \$1,197,100</b>	<b>Assessed Value \$2,500,000</b>
<b>1.00</b>	\$18.28	7,312	10,716	21,883	45,700
<b>1.10</b>	\$20.10	8,040	11,783	24,062	50,250
<b>1.20</b>	\$21.93	8,772	12,855	26,252	54,825
<b>1.30</b>	\$23.76	9,504	13,928	28,443	59,400
<b>1.40</b>	\$25.59	10,236	15,001	30,634	63,975
<b>1.50</b>	\$27.41	10,964	16,068	32,813	68,525

# Selection of Open Space Discount

- There are no parcels in Wayland currently classified as open space
- Open Space is defined in Massachusetts General Law as:  
MGL Chapter 59 Sec 2A(b) "Class two, open-space", 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 land not held for the production of income but is maintained in an open or natural condition, which contributes significantly to the benefit and enjoyment of the public".
- In Wayland, forty-three (43) parcels participate in the Chapter Land Program under MGL Chapters 61A and 61B, which results in more savings than if they were designated as Open Space.
- Under the Chapter Land program the discount ranges from 75% to 98%.
- The open space discount has a maximum discount of 25%.

# Granting a Residential Exemption

- A Residential Exemption is a redistribution of the tax levy among residential property owners.
- It would apply to owner-occupied residential properties.
- “Exemption” in Wayland is a misnomer because it is actually a tax shift among residential properties (higher-valued properties have increased tax bills, and lower-valued properties have decreased tax bills).
- Typically the intent of the Residential Exemption is to shift the tax burden to *rental* and *vacation* properties. Only 16 out of 352 communities in Massachusetts have adopted this exemption.
- The Board of Selectmen may adopt a maximum residential exemption of 35%.

# Granting a Residential Exemption

	Tax Rate without Residential Exemption 18.03	Tax Rate with Residential Exemption 22.21	City/Town data from Fiscal Year 2018				
Value of owner-occupied home	Tax bill w/o exemption	Tax bill with exemption	Change in tax bill*	% change	# of residential properties	Total # w/ tax decrease/increase	
330,000	5,950	4,310	-1,640	-28%	168		
430,000	7,753	6,531	-1,222	-16%	330		
530,000	9,556	8,752	-804	-8%	739		
630,000	11,359	10,973	-386	-3%	901		
722,270	13,023	13,023	0	0%	719	Decrease = 2,857	
820,000	14,785	15,193	409	3%	561		
920,000	16,588	17,414	827	5%	392		
1,020,000	18,391	19,635	1,245	7%	270		
1,120,000	20,194	21,856	1,663	8%	188		
1,220,000	21,997	24,077	2,081	9%	128		
1,320,000	23,800	26,298	2,499	10%	79		
Greater than 1,320,000					234	Increase = 1,852	

NOTE 1: Inputs = 95% owner-occupied for single family and condos; 20% exemption percentage.

NOTE 2: 234 residential properties valued greater than 1,320,000.

Increase in taxes is \$418 per \$100,000 in value for those properties.

NOTE 3: 12 properties have assessed values too low to receive the full exemption.

NOTE 4: Only single family and residential condos were used in the property counts in this example.



# Granting a Small Commercial Exemption

- The Board of Selectmen may adopt a small commercial exemption.
- This exemption is for commercial parcels (property class three) occupied by businesses with an average annual employment of not more than ten people during the previous calendar year and with assessed values of less than one million dollars.
- The intent of the exemption is to give a tax reduction to small commercial property owners at the expense of the larger commercial and industrial parcels.
- Selectmen can choose an exemption that reduces the taxable valuation of each eligible parcel by a percentage of up to 10%.