

FY 2025

Tax Classification Hearing

Presented by Assessor
Kelly Szocik

Date: October 28, 2024



Prepared for The Boxborough Select Board

Kristin Hilberg, Chair

Priya Sundaram, Clerk

Wesley Fowlks

Robert Stemple

David McKiernan



Introduction

- Prior to the mailing of the 3rd quarter tax bills, the Select Board holds a public hearing, to determine the percentage of the Town's property tax levy to be borne by each major property class. The responsibility and procedures are described in Chapter 40, Section 56 of the Massachusetts General Law.
- The steps in completing the Classification Hearing will be outlined in this presentation. Also provided, is information about the levy, property assessments, and a recommendation made by the Assessor.

THIS HEARING DOES NOT CHANGE THE TOTAL TAX LEVY FOR THE COMMUNITY;
IT SIMPLY DETERMINES THE SHARE TO BE BORNE BY EACH CLASS.



Steps in Setting Tax Rates

Step 1: Pre-Classification Hearing

- Determination of the property tax levy (Budget Process)
- Determine assessed valuations (Assessor)
- Tabulate assessed valuations by class (Assessor)

Step 2: Classification Hearing

- Classification hearing presentation (Assessor & Select Board)
- Determine the tax shift option (Select Board)
- Voting a tax shift factor (Select Board)

Step 3: Post Classification Hearing

- Sign the LA-5 Classification Form (Town Clerk & Assessor)
- Send annual recap to DOR for tax rate approval (Assessor)
- Obtain DOR approval of tax rates (DOR)

Terminology

Levy

The tax levy (or levy) is the amount of property taxes to be raised in a given fiscal year. The levy amount is determined during the budget process. The total amount of the approved budget less revenues from other sources like motor vehicle excise, municipal fees, and state aid is the amount to be raised from property taxation.

Levy ceiling

The levy ceiling is 2 ½ percent of the full taxable value of the Town. The Town cannot raise property taxes in excess of the levy ceiling except in the case of voted debt exclusions approved for the payment of bonds. Based on Boxborough's aggregate valuation of **\$1,774,092,422**, the Levy Ceiling is **\$44,377,311**.

New Growth

Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions and personal property. The Assessor has tabulated new Growth revenues of **\$384,115**.

Levy Limit/Maximum Allowable Levy

Also referred to as the “maximum allowable levy” is calculated by adding 2 ½ percent of the previous year’s levy limit plus new growth revenue for the present fiscal year to last year’s levy limit. Exceeding the levy limit requires an override of Proposition 2½. For FY2025 the Levy Limit is: **\$27,331,698**.

Excess Levy Capacity: Excess levy capacity is the difference between the actual levy and the levy limit **\$1,041,698**.

2022 AND 2023 SINGLE FAMILY SALES ACTIVITY IN BOXBOROUGH

Calendar Year	2022	2023	% Change
Sales Activity	43	37	-13.95%
Days on Market	26.74	17.46	-34.70%
Avg. Sales Price	\$1,030,488	\$901,107	-12.56%

2022 AND 2023 CONDOMINIUM SALES ACTIVITY IN BOXBOROUGH

Calendar Year	2022	2023	% Change
Sales Activity	61	62	1.64%
Days on Market	65.69	66.94	1.90%
Avg. Sales Price	508,388	438,030	-13.84%

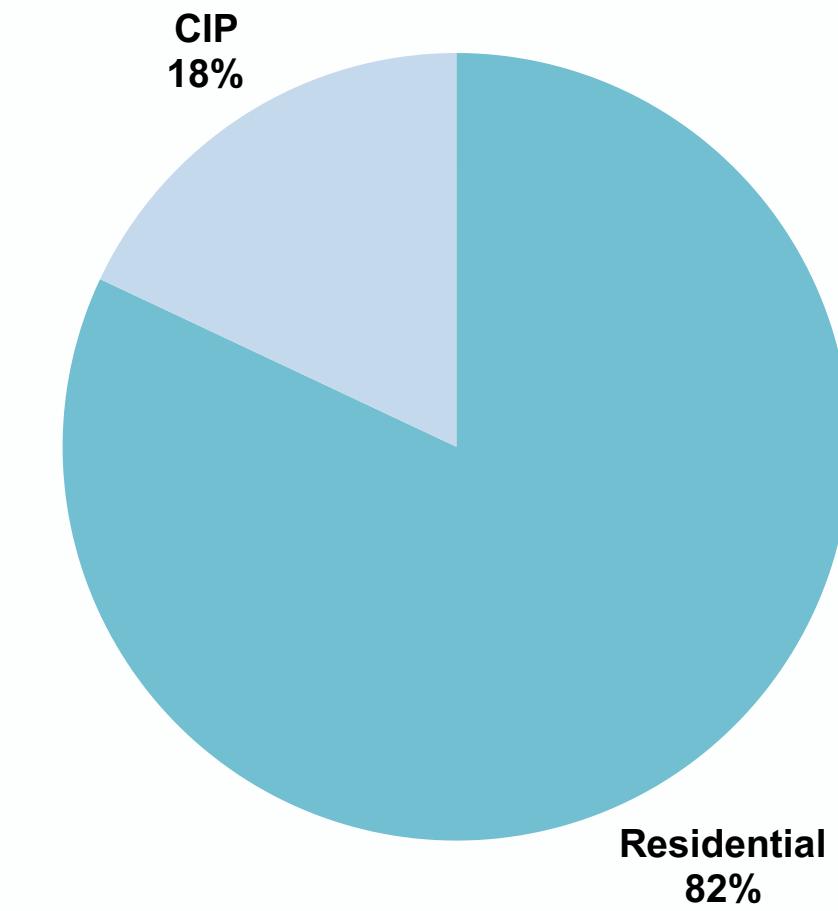
FISCAL YEAR 2025 LEVY LIMIT CALCULATIONS

The following calculation of Boxborough's levy limit for fiscal year 2025

Fiscal Year 2024 Levy Limit	\$26,290,419	Fiscal Year 2024 Levy Limit is \$26,290,419 plus any <u>amended new growth</u> (which is zero) x 2.5 will equal The Levy increase allowed under Proposition 2 ½ of \$657,260
Levy Increase Allowed Under Proposition 2 ½	\$657,260	
New Growth Revenue	\$384,115	New Growth Revenue (Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions and personal property) equals \$384,115
Fiscal Year 2025 Proposition 2 ½ Overrides	0	Fiscal Year 2025 Proposition 2 ½ Overrides is \$0
Excluded Debt to Repay Bonds	\$885,070	Excluded Debt to Repay Bonds is \$885,070
Capital Exclusions	0	The Capital Exclusions Zero
*Fiscal Year 2025 Levy Limit	\$27,331,698	*We add all the above mentioned numbers and the result is The Fiscal Year 2025 Levy Limit of \$27,331,698
Levy Ceiling	\$44,377,311	Levy Ceiling is \$44,377,311 This is the total full and cash value of taxable Real & Personal Property = \$1,775,092,422 x 2.5%
Levy to be Raised (<u>THIS IS ESTIMATED</u>)	\$26,290,000	Subtract the Levy to be Raised (estimated) \$26,290,000 from the FY2025 Levy Limit \$27,331,698 will give us the Excess Levy Capacity = \$1,041,698
Excess Levy Capacity	\$1,041,698	

Valuations by Class Before Tax Shift

Major Property Class	Valuation	Percent	Res vs CIP%
Residential	1,457,962,552	82.1344	R & O% 82.1344
Commercial	87,852,780	4.9492	
Industrial	182,697,250	10.2923	
Personal Property	46,579,840	2.6241	CIP% 17.8656
TOTAL	1,775,092,422	100.0000	



Valuations by Class History

Fiscal Year	Residential Levy	Open Space Levy	Commercial Levy	Industrial Levy	Personal Property Levy	Total Levy	RO Levy as a % of Total	CIP Levy as a % of Total
2025	21,593,134	0	1,301,145	2,705,846	689,876	26,290,000	82.13	17.87
2024	20,698,740	0	1,296,499	2,568,051	736,711	25,300,000	81.81	18.19
2023	19,001,896	0	1,163,509	2,382,635	751,961	23,300,000	81.55	18.45
2022	17,428,589	0	1,324,021	2,169,453	965,582	21,887,645	79.63	20.37
2021	16,333,712	0	1,292,924	2,262,550	840,871	20,730,057	78.79	21.21

Potential Shifts

MassDOR - Massachusetts Department of
 Revenue Division of Local Services
 What If ... Scenario Worksheet for FY 2025
 CLASSIFICATION OPTIONS

Boxborough - 037 CLASS

	VALUE	%	
Residential	1,457,962,552	82.1344	R & O %
Open Space	0	0.0000	82.1344
Commercial	87,852,780	4.9492	C I P %
Industrial	1,82,697,250	10.2923	
Personal Property	46,579,840	2.6241	
Total	1,775,092,422	100.0000	17.8656

ENTER A LEVY (**ESTIMATED**)

Levy 26,290,000

Single Tax Rate 14.81

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

CIP Shift	Res Factor	Share Percentages					Levy Amounts					Estimated Tax Rates			
		Res SP	Comm SP	Ind SP	PP SP	Total SP	Res LA	Comm LA	Ind LA	PP LA	Total LA	Res ET	Comm ET	Ind ET	PP ET
1.0000	1.0000	82.1344	4.9492	10.2923	2.6241	100.0000	21,593,134	1,301,145	2,705,846	689,876	26,290,000	14.81	14.81	14.81	14.81
1.2500	0.9456	77.668	6.1865	12.8654	3.2801	100.0000	20,418,922	1,626,431	3,382,307	862,345	26,290,005	14.01	18.51	18.51	18.51
1.5000	0.8912	73.2016	7.4238	15.4385	3.9362	100.0000	19,244,710	1,951,717	4,058,769	1,034,814	26,290,009	13.20	22.22	22.22	22.22

Residential Class	Avg. FY25 Value	Estimated Tax Rate	Estimated Avg. Tax
Single Family Home (1.0 RF)	\$895,688	14.81	\$13,319
Single Family Home (.95 RF)		14.01	\$12,549
Single Family Home (.89 RF)		13.20	\$11,823

Shifting the Tax Burden

Municipalities must decide whether to:

- Tax all classes of property at their full and fair cash valuation share of the tax levy, which results in a single tax rate, or
- To reduce the share of the tax levy paid by the residential and open space property owners and shift those taxes to commercial, industrial and personal property taxpayers, which results in a split rate.
- The share of the levy for the Commercial, Industrial and Personal Property classes (CIP) may be increased by up to 50% as long as the residential and open space classes raise at least 65% of what they would have raised without the shift.
- If the Minimum Residential Factor would be less than 65%, the community cannot make the maximum shift and must use a CIP factor less than 1.50.



Residential/Open Space



Commercial



Industrial



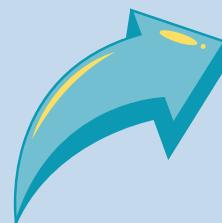
Personal Property

The Tax Rate

The tax rate is derived from a simple mathematical equation involving the total value in the community, as certified by the Department of Revenue, and the total amount of the levy, as required through the vote of the community at Town Meeting

Based on an anticipated vote to maintain a single tax rate, the Assessor has calculated the following tax rates needed to raise the tax levy.

Property Class	Residential	Commercial	Industrial	Personal Property
FY2025	\$14.81	\$14.81	\$14.81	\$14.81
FY2024	\$14.99	\$14.99	\$14.99	\$14.99



Note: the FY2025 rate is an estimate only and may change upon Department of Revenue review.

The Tax Impact

Actual property tax impacts will vary from property to property.

Residential Class	Avg. FY 24 Value	Avg. Tax	Avg. FY25 Value	Avg. Tax	Tax Change
Single Family Homes	\$844,900	\$12,665	\$895,688	\$13,265	\$600.00

Example only of a typical residential tax change

Average Single Family Tax Bill

Fiscal Year	Single Family Values	Single Family Parcels	Average Single Family Value	Single Family Tax Bill
2025	\$1,091,843,600	1,219	\$895,688	\$13,265
2024	\$1,029,087,600	1,218	\$844,900	\$12,868
2023	\$929,864,800	1,216	\$764,691	\$11,868
2022	\$793,227,500	1,210	\$655,560	\$11,420
2021	\$746,279,700	1,208	\$617,781	\$10,607
2020	\$732,362,600	1,203	\$608,780	\$10,179
2019	\$729,785,200	1,199	\$608,662	\$9,994
2018	\$688,981,900	1,195	\$576,554	\$9,479
2017	\$672,809,500	1,195	\$563,021	\$9,464
2016	\$652,200,700	1,188	\$548,990	\$8,981
2015	\$626,528,700	1,179	\$531,407	\$8,848

SINGLE VS SPLIT TAX RATE: THIS IS WHAT THE HEARING IS ABOUT

- **FACTOR OF 1.00:** Selection of a single tax rate means that all four property classes will pay the same tax rate. This is the recommendation of the Assessor.
- **FACTOR OF LESS THAN 1.00:** The law allows the option to shift the tax burden among the classes by reducing the share of the tax levy paid by the residential property owners and shifting/increasing those taxes to commercial, industrial and personal property taxpayers through the adoption of a residential factor of less than 1.00.
- **FACTOR OF GREATER THAN 1.00:** Conversely, a factor greater than 1.00 may be adopted, which would have the opposite effect, reducing the share of the tax levy paid by commercial, industrial and personal property taxpayers and shifting/increasing those taxes on residential property owners.

NOTE: THE TOTAL AMOUNT THAT CAN BE RAISED IN TAXES STAYS THE SAME, WHETHER THERE IS A SINGLE OR SPLIT TAX RATE.
A SPLIT TAX RATE DOES NOT RAISE MORE REVENUE, IT SIMPLY SHIFTS THE TAX BURDEN AMONG THE TAXPAYERS.



Assessor's Recommendations

The Assessor recommends that the Select Board:

- Vote to adopt a Single Tax Rate.
- Vote take no action on the following:
 - Open Space Discount
 - Residential Exemption
 - Small Commercial Exemption

Voting a Tax Shift Factor

(proposed motion)

- The Boxborough Select-Board votes in accordance with M.G.L., Ch. 40, Sec. 56, as amended, the percentage of local tax levy which will be borne by each class of real estate and personal property, relative to the setting the Fiscal Year 2025 tax rates, and set the Residential Factor at 1.0, with a corresponding CIP of 1.0, pending approval of the town's annual tax recap by the Massachusetts Department of Revenue and vote take no action on the following:
 - *Open Space Discount*
 - *Residential Exemption*
 - *Small Commercial Exemption*