

Fiscal Year 2023 Classification Hearing
November 15, 2022
Hearing Room at 66 Westford Street
Carlisle, MA 01741



Presented by

Carlisle Board of Assessors

Kenneth Mostello *Chairman*

David Boardman

Karen Yeyinmen

Brian C Macdonald **Principal Assessor**

The information contained in this handout is intended to provide the Carlisle Select Board with the necessary information to conduct a public hearing and information session on the classification options available under Massachusetts General Law. This classification hearing allows the Board to consider several options that allow for the shift of the tax burden both **between and within** the Residential and Commercial/Industrial/Personal Property tax classes.

The 4 options to be presented for consideration are:

1. Selection of a Minimum Residential Factor
2. Granting of an Open Space Exemption
3. Granting of a Residential Exemption
4. Granting of a Small Commercial Exemption

Step #1) Calculation of a Single Tax Rate

CLASS	Valuation by Class	% of Total Value
Residential	2,070,622,004	98.1779%
Open Space	0	0.000%
Commercial	11,141,398	0.5283%
Industrial	1,483,500	0.0703%
Personal	25,803,200	1.291%
TOTAL VALUE	2,109,050,102	100.000%

(Tax Levy / Total Value) * 1000 = Single Tax Rate per \$1000 in Value

(\$29,843,058.95/ \$2,109,050,102) * 1000 = \$14.15 per \$1000 in Assessed Value

1st- Selection of a Residential Factor

The Select Board must vote on the selection of a residential factor. The implication of this vote determines whether to establish a split tax rate.

Option #1 – Establish a Single Tax Rate – Residential Factor of 1

The option of selecting a residential factor of ‘1’ would adopt a single tax rate for all Residential, Commercial, Industrial and Personal Property classes. **If a factor of ‘1’ were to be adopted, the single tax rate for all classes would be \$14.15.**

Option #2 – Establish a Split Tax Rate – Residential Factor other than 1

Selection of a residential factor other than 1 shifts the tax burden from the residential class to the C.I.P. property classes. The greater the CIP shift selected; the greater the percentage of the tax levy is shifted to the C.I.P property classes. The average single-family property value for Fiscal Year 2023 is **\$1,125,829**. The average commercial / industrial property value for Fiscal Year 2023 is **\$674,410**.

The table below summarizes various shift options and their effect on the average annual single family and commercial property within the community. The selection of a minimum residential factor other than **1.0** would result in create a two tax rates: 1 rate for the Residential Property classes and a separate, higher tax rate for the Commercial / Industrial / Personal Property classes. The minimum Residential Factor, 0.9907, with maximum **CIP Shift** of 150 would result in minimal tax savings to the residential class with a reduction of only **\$147** to the average single-family property annual tax bill while **increasing** the average commercial / industrial property tax bill by \$4,771.

Factor	CIP SHIFT	RO %	CIP %	RO TAX RATE	CIP TAX RATE	Average SF Tax Bill	Average CI Tax Bill
1.0000	1	98.18%	1.82%	\$14.15	\$14.15	\$15,930	\$9,543
0.9954	125	97.72%	2.28%	\$14.08	\$17.69	\$15,857	\$11,929
0.9944	130	97.63%	2.37%	\$14.07	\$18.40	\$15,842	\$12,406
0.9935	135	97.54%	2.46%	\$14.06	\$19.10	\$15,827	\$12,883
0.9926	140	97.45%	2.55%	\$14.04	\$19.81	\$15,812	\$13,360
0.9916	145	97.36%	2.64%	\$14.03	\$20.52	\$15,797	\$13,837
0.9915	146	97.34%	2.66%	\$14.03	\$20.66	\$15,794	\$13,933
0.9913	147	97.32%	2.68%	\$14.03	\$20.80	\$15,792	\$14,028
0.9911	148	97.30%	2.70%	\$14.02	\$20.94	\$15,789	\$14,123
0.9909	149	97.29%	2.71%	\$14.02	\$21.08	\$15,786	\$14,219
0.9907	150	97.27%	2.73%	\$14.02	\$21.23	\$15,783	\$14,314

The Board of Assessors recommends adopting a Residential Factor of 1 with single tax rate of \$14.15.

2nd - Selection of a Open Space Discount

Open space is defined as “land which is not otherwise classified, and which is not taxable under provisions of Chapters 61, 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.”

Open Space Discount Details

- Allows for a discount up to 25% from full assessed valuation
- Would create a separate tax rate for the Open Space property class (200 Class)
- Shifts additional tax burden to all other residentially classified property (100 Class including Single Family properties)
- Carlisle currently does not have any properties currently classified as Open Space
- 27 parcels currently could potentially qualify

Open Space Discounts within Massachusetts

- Out of 351 Massachusetts cities and towns, only 13 granted an open space discount in Fiscal Year 2022
- 311 of 351 cities & Towns have at least 1 Chapter Land Property
- Average # of Chapter Land Properties in Middlesex County = 33
- # of Chap Land Properties in Carlisle = 35

The Board of Assessors does not recommend an Open Space Discount of any percentage.

The Chapter Land classification process allows for property owners to seek tax relief while also providing the Town of Carlisle the ability to recover lost real estate tax revenue from these parcels via the Rollback Tax or Conveyance Tax process.

3rd- Granting a Residential Exemption

The Select Board may grant a residential exemption for all residential properties in the town that are **owner occupied**. This exemption can range up to 35% of the average assessed value of all residential properties within the community. The average assessed value calculation is determined by dividing the total value of the Residential Property class by the residential property count. **(2,070,622,004 / 1,974 = \$1,048,947)**

The intent of the Residential Exemption is to reduce the annual tax burden to property owners who both own and occupy their residential property within the community. For a Residential Exemption to accomplish its intended purpose, a community must have a large percentage of ineligible residential property. A Residential exemption has been adopted by relatively few communities within Massachusetts. The two tables below detail those communities that have adopted a residential exemption. These municipalities have **either** a high percentage of investor-owned residential property such apartments or rental properties (Boston, Cambridge, Chelsea, Everett, Somerville, Waltham, Watertown) **or** many vacation / second homes (Barnstable, Nantucket, Provincetown, Truro, Wellfleet). The tables below indicate the communities that granted a Residential Exemption in Fiscal Year 2022.

Communities with large Percentage of 2nd Homes

Community	Percentage
Barnstable	20%
Nantucket	25%
Oak Bluffs	4%
Provincetown	25%
Tisbury	18%
Truro	25%
Wellfleet	25%

Communities with large Percentage of Investor Owned Residential Property

Community	Percentage
Boston	35%
Brookline	21%
Cambridge	30%
Chelsea	35%
Everett	25%
Malden	30%
Somerville	35%
Waltham	35%
Watertown	30%

Carlisle Residential Exemption Impact Analysis

Communities with a high percentage of owner-occupied residential property do not possess either ownership characteristic for a Residential Exemption to accomplish its intended purpose. Carlisle, with an owner occupancy rate of 87%, an exemption of any percentage drastically reduces the total taxable value of the Residential property class and requiring increases to residential tax rate to compensate for the reduced taxable value. In Carlisle, the residential tax rate could potentially rise from \$14.15 to as high as \$20.33. (See Carlisle Residential Exemption Impact Analysis on page 5 for details). **More importantly, the outcome of adopting a Residential Exemption would result in an increased tax disparity between higher and lower valued residential properties. Those owner-occupied properties below the residential average, \$1,048,947, would benefit from a real estate tax savings while those properties valued above the average would see a real estate tax increase.**

<u>Exemption</u>	<u>Exempted Value</u>	<u>Adjusted</u>	<u>Avg Adjusted</u>	<u>Adjusted Single</u>	<u>Avg Adjusted</u>	<u>Adjusted Condo Tax</u>
<u>Percentage</u>	<u>Per Parcel</u>	<u>Tax Rate</u>	<u>SF Value</u>	<u>Family Tax Bill</u>	<u>Condo. Value</u>	<u>Bill</u>
0%	0	\$14.15	\$1,125,829	\$15,930	\$807,302	\$11,423
5%	\$52,447	\$14.79	\$1,073,381	\$15,878	\$754,855	\$11,166
10%	\$104,895	\$15.50	\$1,020,934	\$15,821	\$702,407	\$10,885
15%	\$157,342	\$16.27	\$968,487	\$15,758	\$649,960	\$10,575
20%	\$209,789	\$17.13	\$916,039	\$15,688	\$597,512	\$10,233
25%	\$262,237	\$18.08	\$863,592	\$15,610	\$545,065	\$9,853
30%	\$314,684	\$19.14	\$811,145	\$15,524	\$492,618	\$9,428
35%	\$367,132	\$20.33	\$758,697	\$15,426	\$440,170	\$8,950

****46% of all Single-Family homes are valued below the Average Residential Value**

****71% of all Condominiums are valued below the Average Residential Value**

Impact Summary and recommendation

The implementation of a Residential Exemption would greatly reduce the real estate tax burden of any property below the average residential value of **\$1,048,947***. Single family homes are largest single property class within Carlisle. Due to the large percentage of owner-occupied residential property within Carlisle (95%*), the adoption of this exemption at any percentage is places an inequitable tax burden on all residential properties valued above **\$1,048,947**. The inclusion of the average condominium within the table is to highlight the effect of a residential exemption on a property valued significantly below that of the average single family property.

The Board of Assessors does not recommend a Residential Tax Exemption of any percentage.

*** The percentage of owner-occupied properties was determined by reviewing the mailing address for the property currently on file with the Assessing Department.**

4th - Granting a Small Commercial Exemption

An exemption of up to 10% of the total property valuation may be granted to commercial properties that meet specific criteria. **Eligible properties must have met the following criteria:**

1. Occupied as of January 1, 2022 by a business or businesses classified only as either sole proprietorships or partnerships(s).
2. Business or businesses must have an average annual employment of no more than 10 employees during the previous calendar year (calendar year 2021). A building with multiple commercial tenants / businesses would require every business located on this property to meet these requirements. **A report detailing businesses with an average employment of less than 10 employees for the calendar year 2021 is provided by the Department of Workforce Development. (This list is not a public document and not available for review.)**
3. Total property value, (both land and building) must have a valuation of less than **\$1,000,000**

Similar to the residential exemption, the total tax levy for the CIP tax class, as established by the adoption of a Residential Factor, does not change.

Facts about the Small Commercial Business Exemption:

- 1) **Applies to only commercially classified property (300 Class) not Industrial classified property (400 Class).**
- 2) **Tax burden is shifted within the commercial and industrial property classes only (300 and 400). It does not shift additional weight onto the Personal Property class (500). Therefore, two separate tax rates would be created, 1 for both Commercial / Industrial Property and another for Personal Property.**

	<u>5% Exempted</u>	<u>10% Exempted</u>
Number of Qualifying Parcels	2	2
Valuation Exempted	\$47,745	\$95,490
Tax Dollars Exempted & Shifted	\$675.59	\$1,351.18
Revised CI Tax Rate / 1000	\$14.20	\$14.26
Increase in CI Tax Rate	\$0.05	\$0.11

Number of Qualifying Properties within Carlisle: 2

Total Valuation of Qualifying Properties: 954,900

***The CIP rate of \$14.15 is contingent on the Select Board accepting the recommended residential factor of 1.0 with the corresponding CIP shift of 1.**

*** The Personal Property Tax Rate would remain at \$14.15 and would be unaffected.**

Impact Summary and recommendation

The implementation of a Small Business Exemption would not necessarily benefit the businesses operating at qualifying parcels as is it unknown if property owner and business owner are the same. Unclear if this tax relief would benefit the business which would require property owner to pass tax relief onto the business.

The Board of Assessors does not recommend a Small Business Exemption of any percentage.

Exhibit Table of Contents

Page 9 - Exhibit 1 defines the relevant terms pertinent to the establishment of the tax levy. Use these terms to interpret the Fiscal Year 2023 Levy Limit calculation found on the following page

Page 10 - is the demonstrates the method by which the town's levy limit for FY 2023 is calculated. The formula for calculating FY 2023's levy limit is illustrated in this section which begins with Fiscal Year 2022's limit plus 2.5% (a maximum increase as dictated by Proposition 2 ½) plus the current fiscal year's new growth, overrides or debt exclusions. This total is the maximum allowable levy for the current fiscal year.

Page 11 - Table #1 includes the total valuation percentages of Residential and C.I.P property classes for Fiscal Year 2023 for both **Carlisle** and various surrounding communities as well as if a Residential Factor other than 1 / CIP was implemented.

Page 12 - Table #2 details the history of **Carlisle's** Tax Classification history as well as tax levy percentages before and after the selection of a Residential Factor.

Page 12 - Table #3 provides the historical valuation and the corresponding annual tax bill for the average property within the 2 largest residential property classes in **Carlisle**. (Single Family and Condominiums)

Page 13 – The Fiscal Year 2023 LA-4 form details the total parcel count and property class valuation for all property classes. This form is requires annual review and approval by the Department of Revenue. Carlisle's property values were approved in October of this year.

The column entitled "Property Type" on the LA 4 contains the various classes of properties. The properties in the 100-Class are the various types of residential properties in the community. The 300-class are commercial properties and the 400-class are industrial properties. The 012-043 represent mixed use properties that contain both commercial / residential components and the 500-class are Business Personal Property Accounts. All properties in the 100-class are taxed at the residential tax rate; all others are taxed at the Commercial, Industrial, Personal Property Rate. **A Residential Factor of 1 establishes a single tax rate for all property classes.**

Page 14 - The Community Comparison Table provides a brief comparison between Carlisle and various other local municipalities for Fiscal Year 2022. The table includes average single-family value, average single family tax bill, difference between the other community's average single family tax bill and Carlisle, percentage the average single family tax bill is of the average single-family value and the State Tax Bill Rank.

Exhibit 1

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 overrides and / or debt exclusions (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.

MASSACHUSETTS DEPARTMENT OF REVENUE
 DIVISION OF LOCAL SERVICES
 BUREAU OF ACCOUNTS

Carlisle
 TOWN

**Levy Limit
 Fiscal Year 2023**

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2022 LEVY LIMIT

A. FY 2021 Levy Limit	28,906,776	
A1. Amended FY 2021 Growth	0	
B. ADD (IA + IA1)*2.5%	722,669	
C. ADD FY 2022 New Growth	170,415	
C1. ADD FY 2022 New Growth Adjustment	0	
D. ADD FY 2022 Override	0	
E. FY 2022 Subtotal	<u>29,799,860</u>	
F. FY 2022 Levy Ceiling	43,758,070	I. <u>29,799,860</u>
		FY 2022 Levy Limit

II. TO CALCULATE THE FY 2023 LEVY LIMIT

A. FY 2022 Levy Limit from I	29,799,860	
A1. Amended FY 2022 Growth	0	
B. ADD (IIA + IIA1)*2.5%	744,997	
C. ADD FY 2023 New Growth	520,146	
C1. ADD FY 2023 New Growth Adjustment	0	
D. ADD FY 2023 Override	0	
E. ADD FY 2023 Subtotal	<u>31,065,003</u>	
F. FY 2023 Levy Ceiling	52,726,253	II. <u>31,065,003</u>
		FY 2023 Levy Limit

III. TO CALCULATE THE FY 2023 MAXIMUM ALLOWABLE LEVY

A. FY 2023 Levy Limit from II.	31,065,003
B. FY 2023 Debt Exclusion(s)	2,120,028
C. FY 2023 Capital Expenditure Exclusion(s)	0
D. FY 2023 Stabilization Fund Override	0
E. FY 2023 Other Adjustment :	0
F. FY 2023 Water/Sewer	0
G. FY 2023 Maximum Allowable Levy	<u>33,185,031</u>

Table #1 - FISCAL YEAR 2022
Community CIP Tax Shift Comparison

DOR Code	Municipality	Fiscal Year	Res % of Total Value	CIP % of Total Value	R/O % of Total Levy	CIP as % of Total Levy	CIP Shift
2	Acton	2022	89.29	10.71	89.29	10.71	No
23	Bedford	2022	78.44	21.56	62.28	37.72	Yes
51	Carlisle	2022	98.02	1.98	98.02	1.98	No
67	Concord	2022	91.9	8.1	91.9	8.1	No
115	Groton	2022	94.26	5.74	94.26	5.74	No
155	Lexington	2022	87.04	12.96	77.32	22.68	Yes
157	Lincoln	2022	96.27	3.73	94.88	5.12	Yes
158	Littleton	2022	79.57	20.43	71.09	28.91	Yes
286	Stow	2022	93.11	6.89	93.11	6.89	Yes
288	Sudbury	2022	92.42	7.58	89.92	10.08	Yes
301	Tyngsborough	2022	88.16	11.84	88.16	11.84	No
315	Wayland	2022	95.21	4.79	95.21	4.79	No
330	Westford	2022	88.63	11.37	88.63	11.37	No
333	Weston	2022	95.4	4.6	95.4	4.6	No

Table #2
Carlisle's Classification History

Fiscal Year	% of Tax Base Residential (Unshifted)	% of Tax Base CIP (Unshifted)	Maximum Allowable Shift	Shift Selected	% of Tax Base Residential (With Shift)	% of Tax Base CIP (With Shift)
2014	98.09%	1.91%	150	1	98.09%	1.91%
2015	98.08%	1.92%	150	1	98.08%	1.92%
2016	98.21%	1.79%	150	1	98.21%	1.79%
2017	98.20%	1.80%	150	1	98.20%	1.80%
2018	98.16%	1.84%	150	1	98.16%	1.84%
2019	98.23%	1.77%	150	1	98.23%	1.77%
2020	98.23%	1.77%	150	1	98.23%	1.77%
2021	98.03%	1.97%	150	1	98.03%	1.97%
2022	98.02%	1.98%	150	1	98.02%	1.98%
2023	98.18%	1.82%	150	1	98.18%	1.82%

*assumes that the Select Board adopts a Residential Factor of 1

Table #3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Avg. Single Family value	1,125,829	935,664	931,444	840,014	821,011
Percentage Adj in Value	20.32%	0.45%	10.88%	2.31%	1.47%
Avg. Single Family Tax Bill	\$15,930	\$15,438	\$15,164	\$15,423	\$15,016
Average Condo. Value	807,302	668,555	602,749	565,639	519,176
Percentage Adj in Value	20.75%	10.92%	15.10%	8.95%	14.08%
Avg. Condo. Tax Bill	\$11,423	\$11,031	\$9,813	\$10,385	\$9,496

Table above assume the adoption of a Residential Factor of 1

Fiscal Year 2023 LA-4

MASSACHUSETTS DEPARTMENT OF REVENUE

Carlisle

DIVISION OF LOCAL SERVICES

TOWN

BUREAU OF LOCAL ASSESSMENT

ASSESSMENT/CLASSIFICATION REPORT as of January 1, 2022

Fiscal Year 2023

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	1,742	1,961,193,700				
102	51	41,172,400				
MISC 103,109	4	7,009,400				
104	8	6,640,500				
105	1	1,178,700				
111-125	2	3,157,500				
130-32,106	155	26,231,300				
200-231	0		0			
300-393	8			5,260,600		
400-442	2				1,483,500	
450-452	0				0	
CH 61 LAND	4	9	0	30,032		
CH 61A LAND	7	7	0	80,833		
CH 61B LAND	2	6	0	401,237		
012-043	11	24,038,504	0	5,368,696	0	
501	31					217,426
502	22					1,911,958
503	0					0
504	2					18,568,440
505	1					1,488,000
506	1					3,287,100
508	4					330,276
550-552	0					0
TOTALS	2,080	2,070,622,004	0	11,141,398	1,483,500	25,803,200
Real and Personal Property Total Value						2,109,050,102
Exempt Parcel Count & Value					187	102,288,600

Fiscal Year 2022 Community Comparison Table

Municipality	Average Single-Family Value	Avg Single Family Tax Bill	Difference in SF Tax Bill to Carlisle	Single Family Tax Bill as % of Value*	State Tax Bill Rank*
Billerica	469,999	\$5,941	(\$9,497)	1.26	163
Tyngsborough	455,571	\$6,806	(\$8,632)	1.49	116
Chelmsford	496,467	\$7,829	(\$7,609)	1.58	77
Maynard	414,137	\$8,498	(\$6,940)	2.05	63
Littleton	518,250	\$9,178	(\$6,260)	1.77	51
Westford	600,396	\$9,678	(\$5,760)	1.61	47
Bedford	774,096	\$10,512	(\$4,926)	1.36	36
Stow	556,907	\$10,893	(\$4,545)	1.96	34
Boxborough	655,560	\$11,420	(\$4,018)	1.74	28
Acton	665,787	\$12,950	(\$2,488)	1.94	19
Sudbury	797,506	\$14,395	(\$1,043)	1.81	13
Carlisle	935,664	\$15,438	\$0	1.65	11
Concord	1,125,397	\$16,611	\$1,173	1.48	7
Lexington	1,203,847	\$16,613	\$1,175	1.38	6
Lincoln	1,246,944	\$18,617	\$3,179	1.49	3
Weston	1,777,218	\$22,766	\$7,328	1.28	1