

# TOWN OF SUDBURY



**FISCAL 2009**

**CLASSIFICATION HEARING**

**November 25, 2008  
7:45 p.m. Sudbury Town Hall**

Each year, prior to the mailing of the actual tax bills, the Board of Selectmen holds a public hearing to discuss and decide on the distribution of the tax burden among the various classes of property.

## **DETERMINATION OF THE TAX LEVY**

First, the Town budget is voted at the Annual Town Meeting.

	FY 2009	FY 2008
Voted at Town Meeting	\$80,357,904	\$79,570,658
Other amounts to be raised	\$854,847	\$694,630
Total Budget	\$81,212,751	80,265,288
Local Receipts and Other Funding	\$ 18,208,576	\$19,725,502
<b>Amount to be Raised through Taxation</b>		
The Levy	\$ 63,004,175	\$60,539,785

The second part of this process is for the Assessor to finalize all assessments and to group them into the classes, which will be used to determine the percent of the tax burden each class of property will bear.

## CLASSIFICATION

The classification amendment allows the Board of Selectmen to consider three alternatives with respect to the FY2009 tax rate. The decision of the Board for each alternative must be submitted to the Department of Revenue on form LA5. The three alternatives are:

- Selection of a minimum residential factor
- Selection of a discount for Open Space
- Granting a residential and/or small commercial exemption

These alternatives are discussed below.

### 1. Selection of a residential factor.

The Board of Selectmen may adopt a residential factor from 1.00 to **1.50**. Adopting a residential factor less than 1.00, shifts a portion of the tax burden from the residential class to the commercial, industrial, and personal property (CIP) class by increasing the CIP tax rate and lowering the residential tax rate. Refer to Exhibit A for examples of this shift.

### 2. Selection of a discount for Open Space.

Massachusetts General Law Chapter 59 Sec. 2A Defines Class 2 Open Space as:

"Land which is not otherwise classified and which is not taxable under provisions of chapters sixty-one, sixty-one A or sixty-one B, 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. The Assessors have not identified any property which meets the definition of Open Space according to the statute.

### 3. Granting a Residential and/or Small Commercial Exemption.

## RESIDENTIAL

The Board of Selectmen may adopt a maximum residential exemption of 20%. Using the maximum exemption allowance, the FY 2009 exempted value would be \$119,196. It would apply to owner occupied residential properties. The majority of Sudbury's property owners meet the statutory requirements to qualify for the exemption. A small percent of homeowners and all land owners and such will not receive the benefit. While some properties would receive a tax reduction under this option, the tax bill for those with assessments above the average,( including primary residences, apartments and other vacant land) would rise. Thus, although some owner occupied properties would receive an exemption of up to 20%, the tax rate for the residential class would increase. Since the residential exemption redistributes the burden *within* the residential class, the CIP rate is not affected.

The following table assumes a CIP factor of **1.30** with a residential rate of **\$15.22**, for purposes of example only.

<b>Average FY09 Single Family Assessment</b>	<b>Rate</b>	<b>Tax</b>	<b>Exemption Amount</b>
<b>\$662,100</b>	<b>\$15.22</b>	<b>\$10,777</b>	<b>\$0</b>
<b>Average FY09 Single Family Assessment with 20% Exemption</b>	<b>Rate</b>	<b>Tax</b>	<b>Exemption Amount</b>
<b>\$542,900</b>	<b>\$15.55</b>	<b>\$8,442</b>	<b>\$119,196</b>

### SMALL COMMERCIAL EXEMPTION

An exemption of up to **10%** of the property valuation can be granted to *commercial (not industrial)* property, which meets the requirements of the law. To qualify, eligible businesses must have occupied the property as of January 1, must have had no more than 10 employees during the previous calendar year and the building must have a valuation of less than \$1,000,000. While the eligible business does not have to own the building, all occupants of the commercial portion of the building must qualify. Again, this exemption is borne *within* the commercial and industrial classes thus increasing the tax rate for this class by the amount of the exemption but does not affect the residential class.

# Exemptions Granted By Massachusetts Communities

## Open Space Exemptions:

1. **BEDFORD (25%)**

## Residential Exemptions:

1. **BARNSTABLE (20%)**
2. **BOSTON (30%)**
3. **BROOKLINE (20%)**
4. **CAMBRIDGE (30%)**
5. **CHELSEA (20%)**
6. **EVERETT (20%)**
7. **MALDEN (5%)**
8. **MARLBORO (10%)**
9. **NANTUCKET (20%)**
10. **SOMERSET (10%)**
11. **SOMERVILLE (30%)**
12. **TISBURY (20%)**
13. **WALTHAM (20%)**
14. **WATERTOWN (20%)**

## Small Commercial Exemptions:

1. **AVON (10%)**
2. **BELLINGHAM (10%)**
3. **BRAINTREE (10%)**
4. **SOMERSET (10%)**
5. **WESTFORD (10%)**
6. **WRENTHAM (5%)**

*Note: The only change to the exemptions is the addition of Malden to the Residential Exemptions list*

# THE TAX FACTORS

The RESIDENTIAL FACTOR is simply the number that calculates the percentage of tax burden the residential class will bear.

The MINIMUM RESIDENTIAL FACTOR is the lowest factor allowed to be used in determining the residential share of the tax.

The MAXIMUM SHIFT (150%) is the maximum factor allowed for shifting taxes to the Commercial Industrial and Personal Property classes under the regular classification law.

CHAPTER 200 allows certain communities to tax commercial properties up to a MAXIMUM SHIFT OF 175%. Based on its distribution of values **Sudbury does not qualify** for a maximum of 175% this year.

The calculation of the minimum residential factor is shown on the following page (LA-7)

# Comparative Tax Shifts Surrounding Communities

Community	FY03 Shift	FY04 Shift	FY05 Shift	FY06 Shift	FY07 Shift	FY08 Shift	FY08 CIP Tax Rate	FY08 Residential Tax Rate	CIP% of Total
ACTON	1.00	1.00	1.00	1.00	1.00	1.00	15.39	15.39	13.40
CONCORD	1.00	1.00	1.00	1.00	1.00	1.00	10.72	10.72	8.99
FRAMINGHAM	1.73	1.69	1.94	1.9	1.83	1.75	28.09	12.53	39.61
MARLBOROUGH	1.47	1.55	1.75	1.62	1.62	1.58	24.58	12.72	45.26
MAYNARD	1.50	1.63	1.75	1.74	1.57	1.57	22.76	13.33	19.29
NATICK	1.00	1.00	1.00	1.00	1.00	1.00	10.01	10.01	20.82
SUDBURY	1.30	1.5	1.5	1.55	1.50	1.27	18.47	14.27	8.24
WAYLAND	1.00	1.00	1.00	1.00	1.00	1.00	14.98	14.98	4.66
WESTON	1.00	1.00	1.00	1.00	1.00	1.00	10.67	10.67	3.57

Source for shift data: <http://www.dls.state.ma.us/mdmstuf/PropertyTax/CIPShift.xls> (Property Tax Info)

# SUDBURY'S PRIOR YEARS TAX SHIFT HISTORY

FISCAL YEAR	VOTED SHIFT	RESID. TAX BILL CHANGE	COMM. TAX BILL CHANGE
1994	155%	+4.1%	+ 4.0%
1995	150%	+6.9%	-13.7%
1996	140%	+5.0%	- 9.1%
1997	140%	+3.8%	+3.8%
1998	140%	+7.2%	+5.4%
1999	140%	+4.3%	+4.2%
2000	139%	+8.1%	+8.1%
2001	132%	+10.8%	+11.0%
2002	132%	+9.81%	+9.72%
2003	130%	+8.76%	+1.41%
2004	150%	+1.003%	+4.92%
2005	148%	+.94%	-1.35%
2006	155%	+10.57%	+9.94%
2007	150%	+2.9%	+1.9%
2008	127%	+5.65%	+4.67%



# TAX RATE EXAMPLE

## RESIDENTIAL AND COMMERCIAL TAX RATE

### Fiscal Year 2008

Using as an example the Fiscal Year 2008 tax rates of \$14.27 (Residential) and \$18.47 (CIP), actual taxes for an average residential property assessed at \$683,800 and an average Commercial/Industrial property assessed at \$1,008,700 would have been the following:

	ASSESSMENT	RATE	TAX
RESIDENTIAL	\$683,800	\$14.27	\$ 9,761
COMMERCIAL	\$1,008,700	\$18.47	\$18,636

### Fiscal Year 2009

Tax rates calculated at the same commercial shift as Fiscal Year 2008 (127% CIP) are \$15.25 (Residential) and \$19.76 (Commercial). The resulting property tax, and percentage change in tax bills, would be the following:

	ASSESSMENT	RATE	TAX	TAX BILL % CHANGE
RESIDENTIAL:	\$662,100	\$15.25	\$10,097	+3.4 %
COMM/IND:	\$ 1,008,700	\$19.76	\$19,931	+6.9%