

# The Residential Exemption Report

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## CONTENTS

Executive Summary .....	2
I. Introduction .....	4
II. Residential Exemption Database Profile .....	8
III. The Process .....	12
IV. Tax Impact.....	22
V. Current Senior Exemption and Deferrals .....	35
VI. Community Profiles.....	42
VII. Administration .....	67
VIII. Consequences .....	69
Conclusion.....	72
Appendix .....	72

# The Residential Exemption Report

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## Executive Summary

The prospect of reducing property taxes for Sudbury's senior population through the adoption of a Residential Exemption was the impetus for a comprehensive investigation of the Residential Exemption. The Residential Exemption provides a mechanism to redistribute the property tax burden within the residential class. It does not impact the Commercial, Industrial or Personal Property classes. Lower end assessments will generally see a property tax decrease, while higher end and non-qualifying properties will see an increase. The residential tax rate will rise in conjunction with a Residential Exemption.

The results of the research and analysis project are integrated in The Residential Exemption Report. The statistics reported are based on FY 2010 assessment data. Our calculations are assuming the maximum exemption allowance, which is 20% of the average residential property assessment. The calculated amount of exemption for qualifying residential properties is \$121,896. A majority of the 14 Residential Exemption communities have adopted the 20% exemption.

A residential exemption database was produced whereby assessment and resident age were merged.

A population sample was developed based on eligibility requirements as established in Chapter 59 Section 5C.

An estimate of 5,000 residential properties was determined as meeting the ownership/occupancy requirements of the program.

The exemption is not means based, and is not available to all residential property owners. Over 1,000 residential properties which do not meet the requisite eligibility criterion will involuntarily see a tax increase.

The majority of qualifying residential properties will see a tax decrease.

Non-qualifying and properties assessed greater than \$742,100 will see a tax increase.

The breakeven assessment is \$742,100. It is that point of valuation by which qualifying properties will experience neither a positive nor a negative impact due to this taxing method.

Seniors with assessments greater than the breakeven point will be burdened with higher taxes.

# The Residential Exemption Report

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Approximately one-third of the qualified properties are owned by a resident over the age over 60.

The average Sudbury senior resides in a home assessed less than \$600,000.

Not all seniors will qualify for the exemption. Regardless of income or assessment, if the ownership/occupancy requirement is not met, the property will be disqualified. Properties owned by a trust may not qualify.

Sudbury's Local tax initiatives have provided means based assistance for the tax deferral, and personal exemption programs.

Sudbury's demographic profile has little in common with the fourteen communities which currently implement the program. Sudbury's population of non-owner occupied homes is relatively small. Virtually all communities with the exemption in place include a large population of non-owner occupied properties.

There are serious tax equity issues associated with adoption of the Residential Exemption, and these must be given careful consideration.

The Board of Selectmen must clearly define their goal when considering the exemption, and determine whether adoption of a Residential Exemption is the appropriate means to accomplish the desired end.

# The Residential Exemption Report

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## I. INTRODUCTION

This report is a study of the impact of adopting a Residential Exemption for properties classified as residential in the Town of Sudbury. Residential properties are referred to in this report as Class I properties or parcels. Class I properties include single-family residences, apartments, multi-family units, condominiums and vacant land.

In order to qualify for the Residential Exemption specific ownership and residency conditions must be met. Those requirements are discussed in Chapter III.

Unlike 'personal' exemptions which reduce the tax bill by statutory amounts, this provision reduces the property assessment by a fixed dollar amount of assessed value. It is therefore a 'property' exemption.

Adopting the Residential Exemption would allow the Selectmen to exempt from qualified Class I accounts a percentage of the average assessed value of all Class I properties. The exemption can be as high as twenty (20%) percent of the average assessed value of all Class I properties, or as low as five (5%) percent, in multiples of five percent.

To show the effects of adopting the exemption, this report used Fiscal Year 2010 valuations and the Fiscal Year 2010 tax rate of \$16.08 for Class I properties. For fiscal year 2010, the average assessed value of Class I properties was \$609,480. Thus, if a residential exemption of 20% had been adopted for FY 2010, the assessments for all qualifying Class I properties would have been reduced by \$121,896. If a residential exemption of 5% had been adopted, the assessments for qualifying Class I properties would have been reduced by \$30,474. It is important to note that the exemption amount to be subtracted from the assessed valuation of qualifying Class I properties is a constant and not a percentage of an individual property assessment.

To compensate for the reduction in valuations of Class I properties receiving the exemption, the tax rate for the residential class must increase. That is because the total taxes to be levied on Class I properties must remain within that class, and cannot be shifted onto properties classified as Commercial, Industrial or Personal.

Currently, fourteen Massachusetts cities and towns have adopted the Residential Exemption. Historically, the exemption has been adopted in those communities with a high percentage of apartments or seasonal homes. In general terms, the exemption shifts real estate taxes onto Class I properties that are not occupied by the property owner.

# The Residential Exemption Report

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Of the 6,103 Class I properties in the Town, this report assumes 5,011, will qualify for the Residential Exemption. To estimate the probable number of eligible properties, the following criteria were applied:

1. Only residential dwelling units may qualify (not vacant land, multi-family properties or apartments).
2. Only those residential properties whose owners are principally domiciled at the property may qualify.
3. Some residential properties held in Trust may not qualify.

As intended by the application of a Residential Exemption, property owners not qualifying for the exemption will see higher real estate taxes. The tax rate on all Class I Properties will increase to offset the reduced valuations of the qualifying Class I properties.

This report will show that a Residential Exemption would have lowered FY2010 property taxes for those qualifying property owners with assessments below \$742,100. The data will also show that qualifying property owners with assessments greater than the "break even" value will have higher tax bills as a result of the requisite increase in the residential tax rate.

## Historical Perspective

To understand the principles of the Residential Exemption it is important to have a basic understanding of how the "ad valorem" taxation as well as full and fair cash valuation system in Massachusetts has evolved.

The Constitution of the Commonwealth of Massachusetts requires that taxation be proportionate and reasonable. Assessors have a statutory duty to assess all real and personal property at full and fair cash value.

Conforming to provisions set forth in Massachusetts General Laws Chapter 59 Section 38, the Town of Sudbury's first revaluation was conducted in the year 1966 and then again for the 1970 tax year. As a result of the 1970 revaluation assessed valuations in the Town increased appreciably.

Prior to 1974 there were wide variations in assessment practices in Massachusetts. Although a statutory requirement for all communities to assess at full and fair cash value was in place, it was not enforced. Those cities and towns adhering to the mandates of assessing properties at their full and fair cash valuation were penalized; the local aid formula and distributions were based on the equalized value of the community. Communities conforming to the regulations tended to have higher equalized values, and as a result received less state aid.

# The Residential Exemption Report

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The Supreme Judicial Court's (SJC) 1974 landmark decision *Town of Sudbury v. the Commissioner of Corporations and Taxation*, (the Sudbury Decision) found in favor of Sudbury's contention that there were wide variations in local assessing practices, and that the Commissioner of Revenue was not enforcing the standard, thereby resulting in unfair local aid distributions.

The SJC decision in the Sudbury case held that the Commissioner had both the power and the duty to direct assessors to maintain full and fair cash valuations. The effect of the Sudbury decision in communities practicing disproportionate assessing was to shift the tax burden from commercial, industrial and personal properties back to residential properties.

In 1978, voters approved an amendment to the Massachusetts Constitution, which authorized the Legislature to classify real property into as many as four classes.

In 1979, the General Court passed legislation authorizing the use of differential tax rates provided a community was certified as assessing its property at full and fair cash value. Chapter 797 of the Acts of 1979 §12 amended Chapter 59 by inserting § 5c which established the Residential Exemption. The determination to implement differential tax rates is a local option that is made each year by the selectmen in a town or by the mayor and city council in a city.

Once the Department of Revenue certifies that the municipality's values represent full and fair cash values and the properties are classified according to use, local officials are permitted to determine the proportion of the tax burden to be borne by each class of property. The Commissioner of Revenue annually determines the allowable limits of this shift for each community.

Sudbury has classified its property types since 1981, and has also utilized dual tax rates since that time (see appendices (A) 1980 and (B) 1981 recap).

Annually, the Board of Selectmen in the Town hold the Classification Hearing at which they vote on the share each of the property classes is to bear, and they also vote on three exemptions: the small commercial exemption, the open space exemption and the Residential Exemption.

Historically Sudbury Selectmen have not adopted the Residential Exemption. Along with an indiscriminate redistribution of tax, the nay vote may have been due to such a high percentage of residential properties in the Town being owner-occupied. This option may, however, be a means to reduce property taxes for some of Sudbury's senior population since the valuations of homes owned and occupied by seniors tend to be in the lower two-thirds to three-quarters of all residential properties.

It should be noted however, Sudbury has adopted, where permitted by law, generous options regarding the Senior Tax Deferral Program, and Town Meeting

# The Residential Exemption Report

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has passed warrant articles increasing the maximum available allowances for statutory personal exemption relief.

Citing the Sudbury decision as evidence, it is important to note that the Town has historically championed fair and equitable treatment for all. The Selectmen need to determine whether adopting a Residential Exemption will maintain that end.

# The Residential Exemption Report

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## II. RESIDENTIAL EXEMPTION DATABASE PROFILE

In order to gain a sound understanding of how various population groups fit into assessed value ranges, a working database was constructed. This provided details of consequences various age clusters are likely to face resulting from the adoption of a Residential Exemption Program.

We started with the Assessors 2010 real estate data, and created a file consisting of owner name, mailing address, property location, total assessment, and property type. We deleted all commercial, industrial, and exempt properties from the file; then removed vacant land, apartment buildings, and the assisted living facility. From the remaining residential file certain properties held in Trust were also eliminated. From this database we were able to cross match mailing and location addresses. Any records that we reasonably assumed to be non-owner occupied were also eliminated.

With the Assessors data in place we compared our file with information from the Town Clerk's Office. The coordinated accounts matched assessment and resident data. The file extract specified the eldest resident age within each household.

The end result produced 5223 records of 6103 Class I properties.

It should be understood the data sample, may be subject to unintended omissions, exclusions and duplications.

### Database Results

Because the Residential Exemption does not recognize age or income it is important to note how various groups will be impacted. The data relative to age and assessed values are depicted in the following chart and graphs.



# The Residential Exemption Report

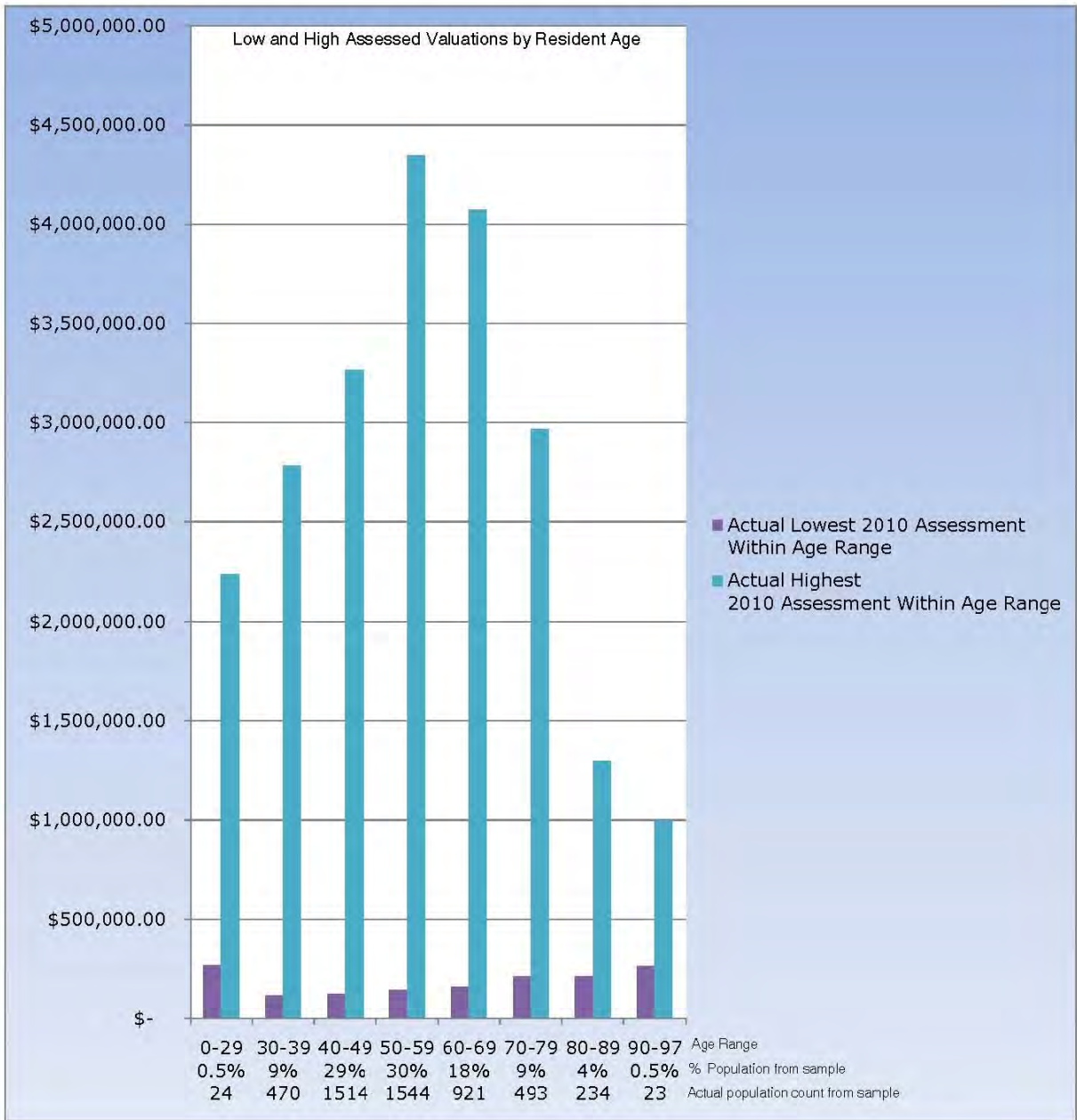
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## Database Results

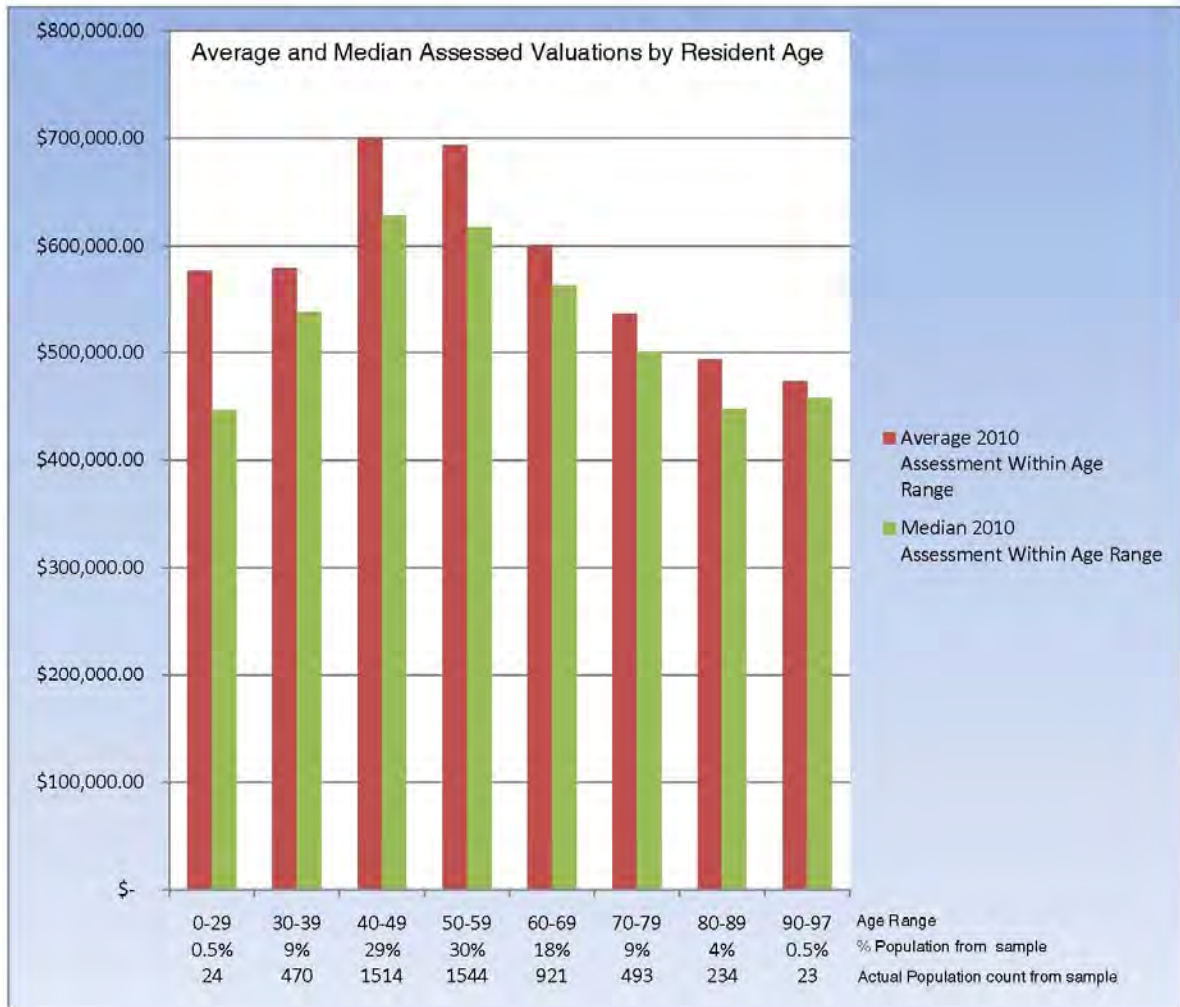
<b><u>AGE RANGE</u></b>	<b><u>NUMBER OF HOMES</u></b>	<b><u>LOWEST ASSESSMENT</u></b>	<b><u>HIGHEST ASSESSMENT</u></b>
90-97	23	258,300	997,900
80-89	234	225,600	1,299,400
70-79	493	230,000	2,966,600
60-69	921	125,000	4,074,700
50-59	1544	141,700	4,345,500
40-49	1514	125,000	3,265,500
30-39	470	115,700	2,780,900
0-29	24	269,000	2,240,200

The following *Low and High Assessed Valuations* graph illustrates the low and high assessment ranges grouped by age.

# The Residential Exemption Report



# The Residential Exemption Report



# The Residential Exemption Report

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## III. THE PROCESS

### Determining the Eligible Accounts

The method to determine eligibility begins with a review of the taxable accounts to ascertain a reasonable estimate of eligible candidates. Certain accounts are immediately rejected based upon their designated Class and/or use. These include: Commercial, Industrial and Personal Property which are not considered in the equation, as they are not part of the Residential Class I. As well, Vacant Land, Apartment Buildings, Assisted Living Centers and Daycare Facilities are not eligible.

Within the Residential Class I there remain certain other parcels that are not eligible to receive the exemption as they do not meet the necessary ownership and occupancy requirement. Of Sudbury's total residential parcel count 6103 we estimate that 5011 parcels may qualify for exemption. The remaining 1092 would not be eligible:

If the Residential Property is:

- A residential home which is not owner occupied
- New construction which is unoccupied on January 1<sup>st</sup>
- A residential home whose ownership is held in certain trust type

In some instances, property held in trust may not qualify. Trust ownership arrangements may adversely affect qualification for the Residential Exemption as well as other statutory exemptions. For estate planning purposes many seniors place their properties in a trust and inasmuch eliminate their individual ownership in the property. This may also eliminate their eligibility for the residential exemption. As a general rule, an applicant must be trustee and beneficiary to be eligible for exemption. The Department of Revenue issued a very comprehensive guideline on Trust eligibility associated with tax exemptions and deferrals.<sup>1</sup> The remaining 5011 parcels may be eligible:

If the Residential Property is:

- The principal residence of the owner on January 1<sup>st</sup>
- Owned either individually, jointly, or in some cases as a trustee

For the purpose of all exemptions, the principal residence is the address from which the Massachusetts income tax return is filed.

Using the criteria identified above we have estimated the number of Class I properties likely to receive the exemption, as well as the properties not likely to qualify. The ELIGIBLE/INELIGIBLE ACCOUNTS chart below details the results.

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<sup>1</sup> See Appendix C

# The Residential Exemption Report

## ELIGIBLE/INELIGIBLE ACCOUNTS

Residential Taxable Property By Use (Class I)	Use Code	TOTAL ACCOUNTS	Total Taxable Residential Assessments By Use (Class I)	<b>Eligible</b>		<b>Ineligible</b>	
				ACCTS	PERCENT	ACCTS	PERCENT
Single Family Dwelling ( <b>SFD</b> )	101	5389	3,505,588,100	4840	90%	<b>549</b>	<b>10%</b>
Condominium	102	187	78,909,500	123	66%	<b>64</b>	<b>34%</b>
2 Homes on 1 Lot	Misc, 109	21	23,185,200	15	71%	<b>6</b>	<b>29%</b>
Two-Family	104	24	14,505,000	13	54%	<b>11</b>	<b>46%</b>
Three-Family	105	1	560,100	1	100%	0	0%
<b>Apartments</b>	<b>111, 125</b>	<b>3</b>	<b>19,870,900</b>	<b>0</b>	<b>0%</b>	<b>3</b>	<b>100%</b>
<b>Vacant Land</b>	<b>130- 132, 106</b>	<b>436</b>	<b>53,196,400</b>	<b>0</b>	<b>0%</b>	<b>436</b>	<b>100%</b>
Mixed-Use, Farm Homes	012- 043	42	23,827,403	19	45%	<b>23</b>	<b>55%</b>
<b>TOTALS</b>		<b>6103</b>	<b>3,719,642,603</b>	<b>5011</b>	<b>82%</b>	<b>1092</b>	<b>18%</b>

# The Residential Exemption Report

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## Classification of Assessments and Rates

Classification of property by its use allows municipalities to allocate how much of the tax burden each class shall bear. Annually, a public hearing is held by the Board of Selectmen to determine the tax rates. Known as the Classification Hearing the public is invited to express their opinion about the distribution of the taxes to be raised. Prior to the meeting, the Assessors stratify the taxable values by 'Class' or usage type.

There are four taxable classes of real property and one personal property class.

Class I	RESIDENTIAL	All residential property uses
Class II	OPEN SPACE	Vacant Land
Class III	COMMERCIAL	Retail, Office,
Class IV	INDUSTRIAL	Manufacturing, Mining
Class V	PERSONAL PROPERTY	Business Items not permanently affixed to the real estate.

The following are commonly used acronyms for these classes:

**RES** Residential property

**OS** Open Space

**CIP** Commercial, Industrial and Personal Property classes

Massachusetts' ad valorem tax system is based on rates per thousand of assessed value. The allocated levy, when divided by the aggregate assessments by Class, yields a 'millage' rate. This percentage when multiplied by 1,000 returns a tax dollar rate.

# The Residential Exemption Report

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The following chart illustrates the results of fiscal year 2010 Classification Hearing. The RES rate was \$16.08 and the CIP rate was \$20.13.

*If tax rates were not split, all classes would have paid on a rate of \$16.36. CIP's actual share was seven percent 7% of the total tax base. By increasing it with a factor of 1.23, their rate increased by \$3.77 to \$20.13. Shifting an additional 23% of the levy onto CIP only reduced the residential tax rate by 28 cents to \$16.08. The reason for such a minor decrease to Class I is the amount of CIP tax base is quite small. In years when the real estate market is on the rise CIP has even less weight to support residential taxes increases.*

## Fiscal Year 2010 Tax Rates As Certified By the Department Of Revenue (DOR)<sup>2</sup>

<u>CLASSIFICATION</u>		<u>TAXABLE VALUES</u>	<u>TAX LEVY</u>	<u>TAX RATE</u>
I	RES	3,719,642,603	59,811,853	<b>\$16.08</b>
II	OS	0	\$0	N/A
III, IV, PP	CIP	284,018,864	5,717,300	<b>\$20.13</b>
	TOTAL	\$4,003,661,467	\$65,529,153	N/A

The RES levy of \$59,811,853

Divided by

The RES value of \$3,719,642,603

Equals: .01608

When multiplied by 1,000 the result is

The RES tax rate: \$16.08.

Incorporating a RES exemption will reduce the total RES value taxed, and this is an acceptable outcome. Conversely, the required **levy** to be raised cannot change. If a residential exemption were to be adopted, the same amount of RES tax levy: **\$59,811,853** needs to be collected.

# The Residential Exemption Report

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## Computation of the Residential Exemption

Subsequent to the allocation of the tax, Selectmen may choose to adopt a residential exemption. This process begins with a calculation of the average assessment of all residential properties. The formula is based on simple division of the total value of all residential property types by the number of properties in the residential class.

Residential Property Types	Number of Accounts	Class Value Totals	Average Residential Assessment
101: Single Family	5,389	3,505,588,100	
102: Condominiums	187	78,909,500	
Misc Res:	21	23,185,200	
104: Two Family	24	14,505,000	
105: Three Family	1	560,100	
111-125: Apartments	3	19,870,900	
130-32 & 106: Vacant Land	436	53,196,400	
012-043: Mixed Use	42	23,827,403	
<b>(Value /Count=)</b> <b>Average Residential Assessed Value</b>	<b>6,103</b>	<b>\$3,719,642,603</b>	<b>\$609,478</b>

Even though all properties do not benefit from the exemption, the Average Assessed Value of ALL Residential Property provides the basis for determining the dollar amount of value to be exempted.



# The Residential Exemption Report

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Sudbury's FY 2010 average assessed value of all residential property is **\$609,478**. Once the percentage is voted, it is multiplied by the average.

For Example:

Average RES Value	\$609,478
Times	X
Voted percentage	20%
Equals	=
<b>Value of the Exemption</b>	<b>\$121,896</b>

With the exemption discount calculated, the new RES Taxable Value can be determined. The estimated accounts which are eligible for the exemption are 5011.

Value of the Exemption	\$121,896
Times	X
Eligible Accounts	5011
Equals	=
<b>Total Exemption Value</b>	<b>\$610,820,856</b>

Since each eligible property will receive a reduction in their assessment of \$121,896 the total amount of exemption must be subtracted from the original RES taxable value to determine how much value remains to be taxed.

Original Res Total Value	\$3,719,642,603
Minus	-
Total Exemption Value	\$610,820,856
Equals	=
<b>Adjusted Taxable RES Value</b>	<b>\$3,108,821,747</b>

Given that the residential class assessment total is reduced in the example, collecting the same amount of levy is offset by applying a higher tax rate. The

# The Residential Exemption Report

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following chart depicts the **Actual FY10** value and rate and the case in point **Adjusted FY10** value and rate, assuming a 20% adoption.

Residential	FY10 Value & Rate	FY10 Value & Rate With Exemption
<b>Percent Voted</b>	0%	20%
Taxable <b>Value</b>	\$3,719,642,603	\$3,108,821,747
Tax <b>Levy</b> *	\$59,811,853	\$59,811,853
Tax <b>Rate</b>	\$16.08	\$19.24

*\* The amount of tax levy to be raised by the RES Class is the same with or without the exemption*

**Table of Allowable Percentages** shows the corresponding exempt values and tax rates based upon the various allowable percentages.

Table of Allowable Percentages

Allowable Percentages	Relative Value	Corresponding Residential Tax Rates
5%	30,474	16.77
10%	60,948	17.52
15%	91,421	18.34
<b>20%</b>	<b>121,896</b>	<b>19.24</b>

While discussion concentrates on a twenty percent exemption, the table on the following page demonstrates the full computation along with outcomes of all available options.

# The Residential Exemption Report

## RESIDENTIAL EXEMPTION CALCULATION

Residential Average Assessment	Total Accounts	Total Eligible Accounts	Exemption Voted	Exemption Amount	Total Value Exempted	New Residential Assessment Total	Total Residential Levy	Tax Rate
609,478	6103	0	0%	0	0	3,719,642,603	59,811,853	\$16.08
		5,011	20%	121,896	610,818,584	3,108,824,019	59,811,853	\$19.24
		5,011	15%	91,422	458,113,938	3,261,528,665	59,811,853	\$18.34
		5,011	10%	60,948	305,409,292	3,414,233,311	59,811,853	\$17.52
		5,011	5%	30,474	152,704,646	3,566,937,957	59,811,853	\$16.77

### Calculation of the Residential (RES) Tax Rate

<b>RES Tax Levy</b>	<i>divided by</i>	<b>Total RES Value</b>	<i>equals</i>	<i>times</i>	<b>Rate of Tax</b>	<i>equals</i>	<b>Tax Rate</b>
59,811,853		3,719,642,603		1,000	0.01608		\$16.08

### Calculation of the Residential (RES) Exemption

<b>Total RES Value</b>	<i>divided by</i>	<b>Class 1 Accounts</b>	<i>equals</i>	<i>times</i>	<b>Adjusted RES Total</b>
3,719,642,603		6103			3,108,824,019
609,478	<i>times</i>	20%	<i>equals</i>		
121,896	<i>times</i>	5011	<i>equals</i>		
610,818,584	<i>times</i>	610,818,584	<i>equals</i>		
<b>Total RES Value</b>	<i>minus</i>	<b>Total Value Exempted</b>	<i>equals</i>		
3,719,642,603		610,818,584			

### Calculation of a 20% (RES) Exemption Tax Rate

<b>RES Tax Levy</b>	<i>divided by</i>	<b>Adjusted RES Total</b>	<i>equals</i>	<i>times</i>	<b>Rate of Tax</b>	<i>equals</i>	<b>Tax Rate</b>
59,811,853		3,108,824,019		1,000	0.01924		\$19.24

# The Residential Exemption Report

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One of the documents submitted at the Classification hearing is a worksheet illustrating the increase in a single family tax bill from the prior year. The changes are segregated by value increments and show dollar and percent changes. The average value of a Single Family Dwelling (SFD) and tax are highlighted. The following table has four sections.

The top row lists FY09 values with taxes calculated by the FY09 rate of \$15.29.

The next section shows the actual FY10 increase as calculated by the voted tax rate of \$16.08.

The next section illustrates the shift in tax liability when a RES Exemption, with a calculated rate of \$19.24 is applied to qualifying properties.

The final section indicates a 19.7% increase for non-qualifying RES accounts at the \$19.24 tax rate.

# The Residential Exemption Report

FY10  
Tax Implications of a Residential Exemption

Regular Annual Tax Differential Between FY 2009 and FY2010											
FY09 Assessment	\$300,000	\$400,000	\$500,000	\$600,000	\$663,500	\$800,000	\$900,000	\$1,000,000	\$1,500,000	\$2,000,000	
FY09 Rate	\$15.29	\$4,587	\$6,116	\$7,645	\$9,174	\$10,145	\$12,232	\$13,761	\$15,290	\$22,935	\$30,580

## Tax Increase from FY2009 to FY2010

Regular Annual Tax Differential Between FY 2009 and FY2010										
RANGE OF VALUES	UP TO 300K	UP TO 400K	UP TO 500K	UP TO 600K	UP TO 700K	UP TO 800K	UP TO 900K	UP TO 1M	UP TO 2M	OVER 2M
ACCOUNTS	205	655	1198	1020	1320	419	199	491	50	33
FY10 Assessment	\$294,000	\$392,000	\$490,000	\$588,000	\$650,400	\$784,000	\$882,000	\$980,000	\$1,470,000	\$1,960,000
FY10 Rate	\$16.08	\$4,728	\$6,303	\$7,879	\$9,455	\$12,607	\$14,183	\$15,758	\$23,638	\$31,517
\$ Difference		\$141	\$187	\$234	\$314	\$375	\$422	\$468	\$703	\$937
% Difference		3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

## Tax Impact Using a Residential Exemption Value and Tax

Tax Differential Between FY2010 Regular Value and Exempted Value										
Exempt Value/ Rate	\$172,104	\$270,104	\$368,104	\$466,104	\$528,504	\$662,104	\$760,104	\$858,104	\$1,348,104	\$1,838,104
\$121,896	\$19.24	\$3,311	\$5,197	\$7,082	\$8,968	\$10,168	\$12,739	\$14,624	\$16,510	\$25,938
\$ Difference		(\$1,416)	(\$1,107)	(\$797)	(\$487)	\$132	\$442	\$752	\$2,300	\$3,848
% Difference		-30.0%	-17.6%	-10.1%	-5.2%	-2.8%	1.0%	3.1%	4.8%	9.7%
										12.2%

## Tax Impact Using a Residential Exemption Tax Rate - Not Eligible

Tax Differential Between FY2010 Regular Tax and RES Exemption Tax Rate										
Exempt Value/ Rate	\$294,000	\$392,000	\$490,000	\$588,000	\$650,400	\$784,000	\$882,000	\$980,000	\$1,470,000	\$1,960,000
\$0	\$19.24	\$5,657	\$7,542	\$9,428	\$11,313	\$12,514	\$15,084	\$16,970	\$18,855	\$28,283
\$ Difference		\$929	\$1,239	\$1,548	\$1,858	\$2,055	\$2,477	\$2,787	\$3,097	\$4,645
% Difference		19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
										19.7%

# The Residential Exemption Report

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## IV. TAX IMPACT

According to the “voted percentage”, for analysis purposes, our examples are assuming the maximum allowable percentage of exemption; 20%. The equivalent flat dollar value (\$121,896) is subtracted from the assessed valuation of each qualifying property.

**Table of Comparative Valuation** (below) depicts two sample properties (FY 2010 assessments) valued at opposite ends of the assessment spectrum and the likely assessment scenario IF: the 20% residential exemption was adopted.

The first segment of the table shows the scenario for qualifying properties. The second segment of the table depicts the same two property value types however the homes are not owner occupied, and thus do not qualify to receive the reduction in assessed value.

Table of Comparative Valuations

Qualifying Properties with Residential Exemption		
FY 2010 Assessed Value:	400,000	1,000,000
(Minus) 20% RES Exemption:	(121,896)	(121,896)
Taxable Valuation:	\$278,104	\$878,104

Non-qualifying Properties– No value Adjustment		
FY 2010 Assessed Value:	400,000	1,000,000
20% RES Exemption (Not Applicable)		
FY 2010 Taxable Valuation:	\$400,000	\$1,000,000

# The Residential Exemption Report

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One way to look at the relative impact of the tax implication is to consider the tax rate which corresponds to the exemption. Home owners with high valuations would see their tax bill increase, while homeowners with lower valuations would see their tax bill decrease. The larger the exemption, the more pronounced the effect.

\*\*\*The same residential tax rate will be imposed for all residential properties whether or not they qualify for the exemption. \*\*\* In other words if a property does not qualify for exemption it too will be subject to the increased rate!

The impact of applying taxes to the above example is demonstrated through the following assumptions.

Adopted Percentage	Corresponding Tax Rate
<b>20%</b>	<b>\$19.24</b>

The **Expanded Table of Comparative Valuation** demonstrates tax liability for the \$400,000 and \$1,000,000 properties. The first scenario Part (A) depicts the actual FY 2010 tax charged. Part (B) assumes both properties meet the requisite ownership and occupancy condition; and Part (C) assumes neither property is eligible.

## Expanded Table of Comparative Valuations

(a) Actual FY 10 Tax - No Exemption Adopted		
1. FY 2010 Assessed Value	400,000	1,000,000
2. Residential Actual Tax Rate	16.08	16.08
3. FY 2010 Actual Tax	\$6,432	\$16,080

# The Residential Exemption Report

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(b) Qualifying Property <b>with</b> Residential Exemption		
1. FY 2010 Assessed Value	400,000	1,000,000
2. Minus RES Exemption	(121,896)	(121,896)
3. FY 2010 New Taxable Valuation	278,104	878,104
4. 20% RES Exemption Tax Rate	19.24	19.24
5. FY 2010 Resulting Tax	5,351	16,895
6. Tax Savings	\$1,081	(\$815)
(c) Non-qualifying Property – <b>No</b> value <b>Adjustment</b>		
1. FY 2010 assessed Value	400,000	1,000,000
2. 20% Exemption Not Applicable	0	0
3. FY 2010 Taxable Valuation	400,000	1,000,000
4. 20% RES Exemption Tax Rate	19.24	19.24
5. FY 2010 Resulting Tax	7,696	19,300
6. Tax Savings	(\$1,264)	(\$3,220)

These examples call attention to three very different tax implications.

Part A represents the actual tax for FY10. It shows the annual tax of two assessments when a RES Exemption is not adopted. .

Notably, in the second scenario (Part B) each assessment is reduced by **\$121,896**. However; with a **rate** increase from **\$16.08** to **\$19.24**, the exempted value is not sufficient to reduce the tax of the higher assessed property. In fact; the consequences of the RES exemption produced a higher tax bill for this '*qualifying*' property.

The remaining non-qualifying properties see no value reduction. Yet; they will absorb the taxes of the redistributed levy through the higher tax rate. Part C shows the additional tax shifted onto these owners.

The Tax Impact Tables on the following pages demonstrates how various ranges of value are impacted by the 20% adoption.



# The Residential Exemption Report

## Residential Impact On A Single Tax Bill

FY 2010 Value/ Tax Basis	COUNT	Actual Value	Actual Tax	Value following 20% Exemption	Res Exempt Tax	RES Qualifying Tax Change	Non Qualifying Tax	Non Qualifying Tax Increase
			\$16.08	\$121,896	\$19.24		\$19.24	
Average Single Family Home Value	17	200,000	3,216.00	78,104	1,502.72	-1,713.28	3,848.00	632.00
	44	250,000	4,020.00	128,104	2,464.72	-1,555.28	4,810.00	790.00
	145	300,000	4,824.00	178,104	3,426.72	-1,397.28	5,772.00	948.00
	233	350,000	5,628.00	228,104	4,388.72	-1,239.28	6,734.00	1,106.00
	424	400,000	6,432.00	278,104	5,350.72	-1,081.28	7,696.00	1,264.00
	657	450,000	7,236.00	328,104	6,312.72	-923.28	8,658.00	1,422.00
	546	500,000	8,040.00	378,104	7,274.72	-765.28	9,620.00	1,580.00
	480	550,000	8,844.00	428,104	8,236.72	-607.28	10,582.00	1,738.00
	539	600,000	9,648.00	478,104	9,198.72	-449.28	11,544.00	1,896.00
		<b>435</b>	<b>650,400</b>	<b>10,458.43</b>	<b>528,504</b>	<b>10,168.42</b>	<b>-290.02</b>	<b>12,513.70</b>
Greater than	162	675,000	10,854.00	553,104	10,641.72	-212.28	12,987.00	2,133.00
	171	700,000	11,256.00	578,104	11,122.72	-133.28	13,468.00	2,212.00
	242	725,000	11,658.00	603,104	11,603.72	-54.28	13,949.00	2,291.00
	58	750,000	12,060.00	628,104	12,084.72	24.72	14,430.00	2,370.00
	259	800,000	12,864.00	678,104	13,046.72	182.72	15,392.00	2,528.00
	422	900,000	14,472.00	778,104	14,970.72	498.72	17,316.00	2,844.00
	201	1,000,000	16,080.00	878,104	16,894.72	814.72	19,240.00	3,160.00
	175	1,100,000	17,688.00	978,104	18,818.72	1,130.72	21,164.00	3,476.00
	137	1,200,000	19,296.00	1,078,104	20,742.72	1,446.72	23,088.00	3,792.00
	217	1,700,000	27,336.00	1,578,104	30,362.72	3,026.72	32,708.00	5,372.00
	23	1,950,000	31,356.00	1,828,104	35,172.72	3,816.72	37,518.00	6,162.00
	35	2,200,000	35,376.00	2,078,104	39,982.72	4,606.72	42,328.00	6,952.00

# The Residential Exemption Report

There is a point where the exemption has no impact on the tax bill. This is known as the breakeven. The following charts illustrate the breakeven points and tax implications of the four possible exemption percentages.

<b>Tax Impact from a Residential Exemption of 20%</b>									
Fiscal Year	2010 Value/ Tax Basis	Actual Value	Actual Tax	Value following 20% Exemption	Res Exempt Tax	Non Qualifying Tax	RES Qualifying Difference	Non Qualifying Tax Increase	
			<b>16.08</b>	<b>121,896</b>	<b>19.24</b>	<b>19.24</b>		<b>19.24</b>	
	17	200,000	3,216.00	78,104	1,502.72	28.91	-1,713.28	632	
	44	250,000	4,020.00	128,104	2,464.72	47.42	-1,555.28	790	
	145	300,000	4,824.00	178,104	3,426.72	65.93	-1,397.28	948	
	233	350,000	5,628.00	228,104	4,388.72	84.44	-1,239.28	1,106.00	
	424	400,000	6,432.00	278,104	5,350.72	102.95	-1,081.28	1,264.00	
	657	450,000	7,236.00	328,104	6,312.72	121.46	-923.28	1,422.00	
	546	500,000	8,040.00	378,104	7,274.72	139.97	-765.28	1,580.00	
	480	550,000	8,844.00	428,104	8,236.72	158.47	-607.28	1,738.00	
	539	600,000	9,648.00	478,104	9,198.72	176.98	-449.28	1,896.00	
	<b>Average Single Family Value</b>	<b>435</b>	<b>650,400</b>	<b>10,458.43</b>	<b>528,504</b>	<b>10,168.42</b>	<b>195.64</b>	<b>-290.02</b>	<b>2,055.26</b>
	162	675,000	10,854.00	553,104	10,641.72	204.75	-212.28	2,133.00	
	171	700,000	11,256.00	578,104	11,122.72	214.00	-133.28	2,212.00	
	142	725,000	11,658.00	603,104	11,603.72	223.26	-54.28	2,291.00	
	<b>Breakeven Point</b>	<b>99</b>	<b>742,100</b>	<b>11,932.97</b>	<b>620,204</b>	<b>11,932.72</b>	<b>229.59</b>	<b>-0.24</b>	<b>2,345.04</b>
	<b>1</b>	<b>742,200</b>	<b>11,934.58</b>	<b>620,304</b>	<b>11,934.65</b>	<b>229.62</b>	<b>0.07</b>	<b>2,345.35</b>	
	58	750,000	12,060.00	628,104	12,084.72	232.51	24.72	2,370.00	
	259	800,000	12,864.00	678,104	13,046.72	251.02	182.72	2,528.00	
	422	900,000	14,472.00	778,104	14,970.72	288.04	498.72	2,844.00	
	201	1,000,000	16,080.00	878,104	16,894.72	325.05	814.72	3,160.00	
	175	1,100,000	17,688.00	978,104	18,818.72	362.07	1,130.72	3,476.00	
	137	1,200,000	19,296.00	1,078,104	20,742.72	399.09	1,446.72	3,792.00	
	217	1,700,000	27,336.00	1,578,104	30,362.72	584.18	3,026.72	5,372.00	
	23	1,950,000	31,356.00	1,828,104	35,172.72	676.72	3,816.72	6,162.00	
	Greater than	35	2,200,000	35,376.00	2,078,104	39,982.72	769.27	4,606.72	6,952.00

# The Residential Exemption Report

## Tax Impact from Residential Exemption of 15%

Fiscal Year 2010 Value/ Tax Basis	Actual Value	Actual Tax	Value following 5% Exemption	Res Exempt Tax	Non Qualifying Tax	RES Qualifying Difference	Non Qualifying Tax Increase
		<b>16.08</b>	<b>91,421</b>	<b>18.34</b>	<b>18.34</b>		<b>18.34</b>
	200,000	3,216.00	108,579	1,991.34	3,668.00	-1,224.66	452.00
	250,000	4,020.00	158,579	2,908.34	4,585.00	-1,111.66	565.00
	300,000	4,824.00	208,579	3,825.34	5,502.00	-998.66	678.00
	350,000	5,628.00	258,579	4,742.34	6,419.00	-885.66	791.00
	400,000	6,432.00	308,579	5,659.34	7,336.00	-772.66	904.00
	450,000	7,236.00	358,579	6,576.34	8,253.00	-659.66	1,017.00
	500,000	8,040.00	408,579	7,493.34	9,170.00	-546.66	1,130.00
	550,000	8,844.00	458,579	8,410.34	10,087.00	-433.66	1,243.00
	600,000	9,648.00	508,579	9,327.34	11,004.00	-320.66	1,356.00
<b>Average Single Family Value</b>	<b>650,400</b>	<b>10,458.43</b>	<b>558,979</b>	<b>10,251.67</b>	<b>11,928.34</b>	<b>-206.76</b>	<b>1,469.90</b>
	675,000	10,854.00	583,579	10,702.84	12,379.50	-151.16	1,525.50
	700,000	11,256.00	608,579	11,161.34	12,838.00	-94.66	1,582.00
<b>Breakeven Point</b>	<b>741,800</b>	<b>11,928.14</b>	<b>650,379</b>	<b>11,927.95</b>	<b>13,604.61</b>	<b>-0.19</b>	<b>1,676.47</b>
	<b>741,900</b>	<b>11,929.75</b>	<b>650,479</b>	<b>11,929.78</b>	<b>13,606.45</b>	<b>0.03</b>	<b>1,676.69</b>
	775,000	12,462.00	683,579	12,536.84	14,213.50	74.84	1,751.50
	800,000	12,864.00	708,579	12,995.34	14,672.00	131.34	1,808.00
	900,000	14,472.00	808,579	14,829.34	16,506.00	357.34	2,034.00
	1,000,000	16,080.00	908,579	16,663.34	18,340.00	583.34	2,260.00
	1,100,000	17,688.00	1,008,579	18,497.34	20,174.00	809.34	2,486.00
	1,200,000	19,296.00	1,108,579	20,331.34	22,008.00	1,035.34	2,712.00
	1,700,000	27,336.00	1,608,579	29,501.34	31,178.00	2,165.34	3,842.00
<b>Greater or equal to:</b>	1,950,000	31,356.00	1,858,579	34,086.34	35,763.00	2,730.34	4,407.00
	2,200,000	35,376.00	2,108,579	38,671.34	40,348.00	3,295.34	4,972.00

# The Residential Exemption Report

<b>Tax Impact from a Residential Exemption of 10%</b>							
Fiscal Year 2010 Value/ Tax Basis	Actual Value	Actual Tax	Value following 5% Exemptio n	Res Exempt Tax	Non Qualifyin g Tax	RES Qualifying Differenc e	Non Qualifyin g Tax Increase
		<b>\$16.08</b>	<b>\$60,948</b>	<b>\$17.52</b>	<b>\$17.52</b>		<b>\$17.52</b>
	200,000	3,216	139,052	2,436	3,504	-780	288
	250,000	4,020	189,052	3,312	4,380	-708	360
	300,000	4,824	239,052	4,188	5,256	-636	432
	350,000	5,628	289,052	5,064	6,132	-564	504
	400,000	6,432	339,052	5,940	7,008	-492	576
	450,000	7,236	389,052	6,816	7,884	-420	648
	500,000	8,040	439,052	7,692	8,760	-348	720
	550,000	8,844	489,052	8,568	9,636	-276	792
	600,000	9,648	539,052	9,444	10,512	-204	864
<b>Average Single Family Value</b>	<b>650,400</b>	<b>10,458</b>	<b>589,452</b>	<b>10,327</b>	<b>11,395</b>	<b>-131</b>	<b>937</b>
	675,000	10,854	614,052	10,758	11,826	-96	972
	700,000	11,256	639,052	11,196	12,264	-60	1,008
<b>Breakeven Point</b>	741,500	11,923	680,552	11,923	12,991	<b>0</b>	1,068
	741,600	11,925	680,652	11,925	12,993	<b>0</b>	1,068
	775,000	12,462	714,052	12,510	13,578	48	1,116
	800,000	12,864	739,052	12,948	14,016	84	1,152
	900,000	14,472	839,052	14,700	15,768	228	1,296
	1,000,000	16,080	939,052	16,452	17,520	372	1,440
	1,100,000	17,688	1,039,052	18,204	19,272	516	1,584
	1,200,000	19,296	1,139,052	19,956	21,024	660	1,728
	1,700,000	27,336	1,639,052	28,716	29,784	1,380	2,448
<b>Greater or equal to:</b>	1,950,000	31,356	1,889,052	33,096	34,164	1,740	2,808
	2,200,000	35,376	2,139,052	37,476	38,544	2,100	3,168

# The Residential Exemption Report

<b>Tax Impact for Residential Exemption of 5%</b>							
Fiscal Year 2010 Value/ Tax Basis	Actual Value	Actual Tax	Value following 5% Exemption	Res Exempt Tax	Non Qualifying Tax	RES Qualifying Difference	Non Qualifying Tax Increase
		<b>\$16.08</b>	<b>\$30,474</b>	<b>\$16.77</b>	<b>\$16.77</b>		<b>\$16.77</b>
	200,000	3,216	169,526	2,843	3,354	-373	138
	250,000	4,020	219,526	3,681	4,192	-339	172
	300,000	4,824	269,526	4,520	5,031	-304	207
	350,000	5,628	319,526	5,358	5,869	-270	241
	400,000	6,432	369,526	6,196	6,707	-236	275
	450,000	7,236	419,526	7,035	7,546	-201	310
	500,000	8,040	469,526	7,873	8,384	-167	344
	550,000	8,844	519,526	8,712	9,223	-132	379
	600,000	9,648	569,526	9,550	10,061	-98	413
<b>Average Single Family Value</b>	<b>650,400</b>	<b>10,458</b>	<b>619,926</b>	<b>10,395</b>	<b>10,906</b>	<b>-63</b>	<b>448</b>
	675,000	10,854	644,526	10,808	11,319	-46	465
	700,000	11,256	669,526	11,227	11,738	-29	482
<b>Breakeven Point</b>	<b>742,200</b>	<b>11,935</b>	<b>711,726</b>	<b>11,935</b>	<b>12,446</b>	<b>0</b>	<b>511</b>
	<b>742,300</b>	<b>11,936</b>	<b>711,826</b>	<b>11,936</b>	<b>12,447</b>	<b>0</b>	<b>511</b>
	750,000	12,060	719,526	12,065	12,576	5	516
	800,000	12,864	769,526	12,904	13,415	40	551
	900,000	14,472	869,526	14,581	15,092	109	620
	1,000,000	16,080	969,526	16,257	16,768	177	688
	1,100,000	17,688	1,069,526	17,934	18,445	246	757
	1,200,000	19,296	1,169,526	19,611	20,122	315	826
	1,700,000	27,336	1,669,526	27,995	28,506	659	1,170
<b>Greater or equal to:</b>	<b>1,950,000</b>	<b>31,356</b>	<b>1,919,526</b>	<b>32,187</b>	<b>32,698</b>	<b>831</b>	<b>1,342</b>
	<b>2,200,000</b>	<b>35,376</b>	<b>2,169,526</b>	<b>36,379</b>	<b>36,890</b>	<b>1,003</b>	<b>1,514</b>

## Rescission of the Exemption

Assuming no change to levy or assessments, properties with the lowest assessment would see their tax bill double. Homes above the breakeven point could see as much as 11.5% reduction.

# The Residential Exemption Report

Rescinding the Residential Exemption on Qualifying Properties						
	Previous Year Exempted		Rescinded Exemption		Impact	
	Taxable Value	Tax	Taxable Value	Tax	Tax Change	
		<b>19.24</b>		<b>16.08</b>	<b>16.08</b>	
	78,104	1,502.72	200,000	3,216.00	1,713.28	<b>114.0%</b>
	128,104	2,464.72	250,000	4,020.00	1,555.28	<b>63.1%</b>
	178,104	3,426.72	300,000	4,824.00	1,397.28	<b>40.8%</b>
	228,104	4,388.72	350,000	5,628.00	1,239.28	<b>28.2%</b>
	278,104	5,350.72	400,000	6,432.00	1,081.28	<b>20.2%</b>
	328,104	6,312.72	450,000	7,236.00	923.28	<b>14.6%</b>
	378,104	7,274.72	500,000	8,040.00	765.28	<b>10.5%</b>
	428,104	8,236.72	550,000	8,844.00	607.28	<b>7.4%</b>
	478,104	9,198.72	600,000	9,648.00	449.28	<b>4.9%</b>
<b>Average SFD</b>	<b>528,504</b>	<b>10,168.42</b>	<b>650,400</b>	<b>10,458.43</b>	<b>290.02</b>	<b>2.9%</b>
	553,104	10,641.72	675,000	10,854.00	212.28	<b>2.0%</b>
	578,104	11,122.72	700,000	11,256.00	133.28	<b>1.2%</b>
	603,104	11,603.72	725,000	11,658.00	54.28	<b>0.5%</b>
<b>Breakeven</b>	<b>620,204</b>	<b>11,932.72</b>	<b>742,100</b>	<b>11,932.97</b>	<b>0.24</b>	<b>0.0%</b>
	<b>620,304</b>	<b>11,934.65</b>	<b>742,200</b>	<b>11,934.58</b>	<b>(0.07)</b>	<b>0.0%</b>
	628,104	12,084.72	750,000	12,060.00	<b>(24.72)</b>	<b>-0.2%</b>
	678,104	13,046.72	800,000	12,864.00	<b>(182.72)</b>	<b>-1.4%</b>
	778,104	14,970.72	900,000	14,472.00	<b>(498.72)</b>	<b>-3.3%</b>
	878,104	16,894.72	1,000,000	16,080.00	<b>(814.72)</b>	<b>-4.8%</b>
	978,104	18,818.72	1,100,000	17,688.00	<b>(1,130.72)</b>	<b>-6.0%</b>
	1,078,104	20,742.72	1,200,000	19,296.00	<b>(1,446.72)</b>	<b>-7.0%</b>
	1,578,104	30,362.72	1,700,000	27,336.00	<b>(3,026.72)</b>	<b>-10.0%</b>
	1,828,104	35,172.72	1,950,000	31,356.00	<b>(3,816.72)</b>	<b>-10.9%</b>
	2,078,104	39,982.72	2,200,000	35,376.00	<b>(4,606.72)</b>	<b>-11.5%</b>

# The Residential Exemption Report

Properties that had not qualified in the previous year would see a 16% reduction in their tax bill. As indicated this reduction would be redistributed to the previous beneficiaries of the exemption.

Rescinding the Residential Exemption on Non-Qualifying Properties					
	Previous Year		Rescinded Exemption		Impact
	Taxable Value	Tax	Taxable Value	Tax	Tax Change
		<b>19.24</b>		<b>16.08</b>	<b>16.08</b>
	200,000	3,848.00	200,000	3,216.00	<b>(632.00)</b>
	250,000	4,810.00	250,000	4,020.00	<b>(790.00)</b>
	300,000	5,772.00	300,000	4,824.00	<b>(948.00)</b>
	350,000	6,734.00	350,000	5,628.00	<b>(1,106.00)</b>
	400,000	7,696.00	400,000	6,432.00	<b>(1,264.00)</b>
	450,000	8,658.00	450,000	7,236.00	<b>(1,422.00)</b>
	500,000	9,620.00	500,000	8,040.00	<b>(1,580.00)</b>
	550,000	10,582.00	550,000	8,844.00	<b>(1,738.00)</b>
	600,000	11,544.00	600,000	9,648.00	<b>(1,896.00)</b>
<b>Average SFD</b>	<b>650,400</b>	<b>12,513.70</b>	<b>650,400</b>	<b>10,458.43</b>	<b>(2,055.26)</b>
	675,000	12,987.00	675,000	10,854.00	<b>(2,133.00)</b>
	700,000	13,468.00	700,000	11,256.00	<b>(2,212.00)</b>
	725,000	13,949.00	725,000	11,658.00	<b>(2,291.00)</b>
<b>Breakeven</b>	<b>742,100</b>	<b>14,278.00</b>	<b>742,100</b>	<b>11,932.97</b>	<b>(2,345.04)</b>
	<b>742,200</b>	<b>14,279.93</b>	<b>742,200</b>	<b>11,934.58</b>	<b>(2,345.35)</b>
	750,000	14,430.00	750,000	12,060.00	<b>(2,370.00)</b>
	800,000	15,392.00	800,000	12,864.00	<b>(2,528.00)</b>
	900,000	17,316.00	900,000	14,472.00	<b>(2,844.00)</b>
	1,000,000	19,240.00	1,000,000	16,080.00	<b>(3,160.00)</b>
	1,100,000	21,164.00	1,100,000	17,688.00	<b>(3,476.00)</b>
	1,200,000	23,088.00	1,200,000	19,296.00	<b>(3,792.00)</b>
	1,700,000	32,708.00	1,700,000	27,336.00	<b>(5,372.00)</b>
	1,950,000	37,518.00	1,950,000	31,356.00	<b>(6,162.00)</b>
Greater than	2,200,000	42,328.00	2,200,000	35,376.00	<b>(6,952.00)</b>

# The Residential Exemption Report

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## Market Value Changes

Each year assessments are raised or lowered to meet the standards set forth in the Sudbury Decision, i.e. Full and Fair Market Value. Among other observations, sales are analyzed by use, style, location and quality. A computerized model is then updated from the conclusions discovered within each data set. While many properties experience similar changes, there are always variables which produce higher or lower valuations results. Generally properties do not see across the board change from year.

For example, let's examine the following chart with these assumptions. High and low assessments remained the same. Properties between \$500,000 and \$1,000,000 were lowered by 5% to meet fair market value. The levy did not change, yet the total taxable value dropped by 2.5%, the tax rate increased by 2.5%, to offset the loss. While mid-range properties experienced the major percentage of decrease, all other residential properties absorbed the cost.



# The Residential Exemption Report

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Impact of Fluctuating Assessments on Qualifying Properties						
	Previous Year		Updated Assessment		Impact	
	Taxable Value	Tax	Taxable Value	Tax	Tax Change	
		<b>19.24</b>		<b>19.71</b>		
	78,104	1,502.72	78,104	1,539.43	36.71	<b>2.4%</b>
	128,104	2,464.72	128,104	2,524.93	60.21	<b>2.4%</b>
	178,104	3,426.72	178,104	3,510.43	83.71	<b>2.4%</b>
	228,104	4,388.72	228,104	4,495.93	107.21	<b>2.4%</b>
	278,104	5,350.72	278,104	5,481.43	130.71	<b>2.4%</b>
	328,104	6,312.72	328,104	6,466.93	154.21	<b>2.4%</b>
	378,104	7,274.72	354,304	6,983.33	(291.39)	<b>4.0%</b>
	428,104	8,236.72	401,904	7,921.53	(315.19)	<b>3.8%</b>
	478,104	9,198.72	449,504	8,859.72	(339.00)	<b>3.7%</b>
<b>Average SFD</b>	<b>528,504</b>	<b>10,168.42</b>	<b>497,504</b>	<b>9,805.80</b>	<b>(362.61)</b>	<b>3.6%</b>
	553,104	10,641.72	521,004	10,268.99	(372.73)	<b>3.5%</b>
	578,104	11,122.72	544,804	10,738.09	(384.63)	<b>3.5%</b>
	603,104	11,603.72	568,604	11,207.18	(396.54)	<b>3.4%</b>
<b>Original Breakeven</b>	<b>620,204</b>	<b>11,932.72</b>	<b>584,904</b>	<b>11,528.46</b>	<b>(404.27)</b>	<b>3.4%</b>
	<b>620,304</b>	<b>11,934.65</b>	<b>585,004</b>	<b>11,530.43</b>	<b>(404.22)</b>	<b>3.4%</b>
	628,104	12,084.72	592,404	11,676.28	(408.44)	<b>3.4%</b>
	678,104	13,046.72	640,004	12,614.48	(432.24)	<b>3.3%</b>
	778,104	14,970.72	735,204	14,490.87	(479.85)	<b>3.2%</b>
	878,104	16,894.72	830,504	16,369.23	(525.49)	<b>3.1%</b>
	978,104	18,818.72	978,104	19,278.43	459.71	<b>2.4%</b>
	1,078,104	20,742.72	1,078,104	21,249.43	506.71	<b>2.4%</b>
	1,578,104	30,362.72	1,578,104	31,104.43	741.71	<b>2.4%</b>
	1,828,104	35,172.72	1,828,104	36,031.93	859.21	<b>2.4%</b>
	2,078,104	39,982.72	2,078,104	40,959.43	976.71	<b>2.4%</b>

## Impact on the Real Estate Market

The Assessors' Office is in contact with appraisers, developers and real estate agents on a daily basis. To them, major concerns are; further deterioration of Sudbury market prices; potential buyers turning to similar communities with less radical tax programs; lower demand for high-end construction; and an unpredictable property tax. In the current economy, the impact of the exemption is another deterrent for purchasing high-end construction in Sudbury.

# The Residential Exemption Report

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The Assessors' office also mails sales questionnaires to new owners. From their responses it may be concluded buyers seek out Sudbury because of its quality school system, sense of community, pastoral views and location to Boston. Some feedback expressed concern about property taxes. However; it appears they are accepting of higher than average taxes in return for the opportunity to enjoy these amenities.

In appraisal theory, the Principle of Substitution surmises that a potential owner will pay no more for a property than the amount for which a property of like utility may be purchased. Whether or not inflated taxes cause an exodus is yet to be seen.

# The Residential Exemption Report

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## V. CURRENT SENIOR EXEMPTION AND DEFERRALS

Currently seniors over the age of 60 receiving for tax relief make up 12% of the test file population.

There are programs for the legally blind, disabled veterans, surviving spouses, as well as income /asset based programs. Many of the applicants receiving personal exemption relief under Chapter 59 § 5, also qualify for and receive community surcharge relief. An additional group of seniors participate in the Town Senior Work Program.

The Town of Sudbury last year granted \$164,000 in tax relief under Chapter 59 §5 *exemption* programs. Additionally \$38,000 in Community Preservation funds were processed as exemptions.

Tax relief from the deferral program is not included in the \$164,000 figure. Deferred taxes are not exempt, and are subject to payback with interest. The Town has seen a renewed interest in its popular Senior Tax Deferral Program. With the enactment of two home rule petitions, which provide less restrictive qualifications, there has been a significant increase in deferral accounts. In fiscal year 2003, the town held deferral on twelve (12) tax bills. These broader requirements have been in effect since fiscal 2004. As of 2010 the count has increased to 77.

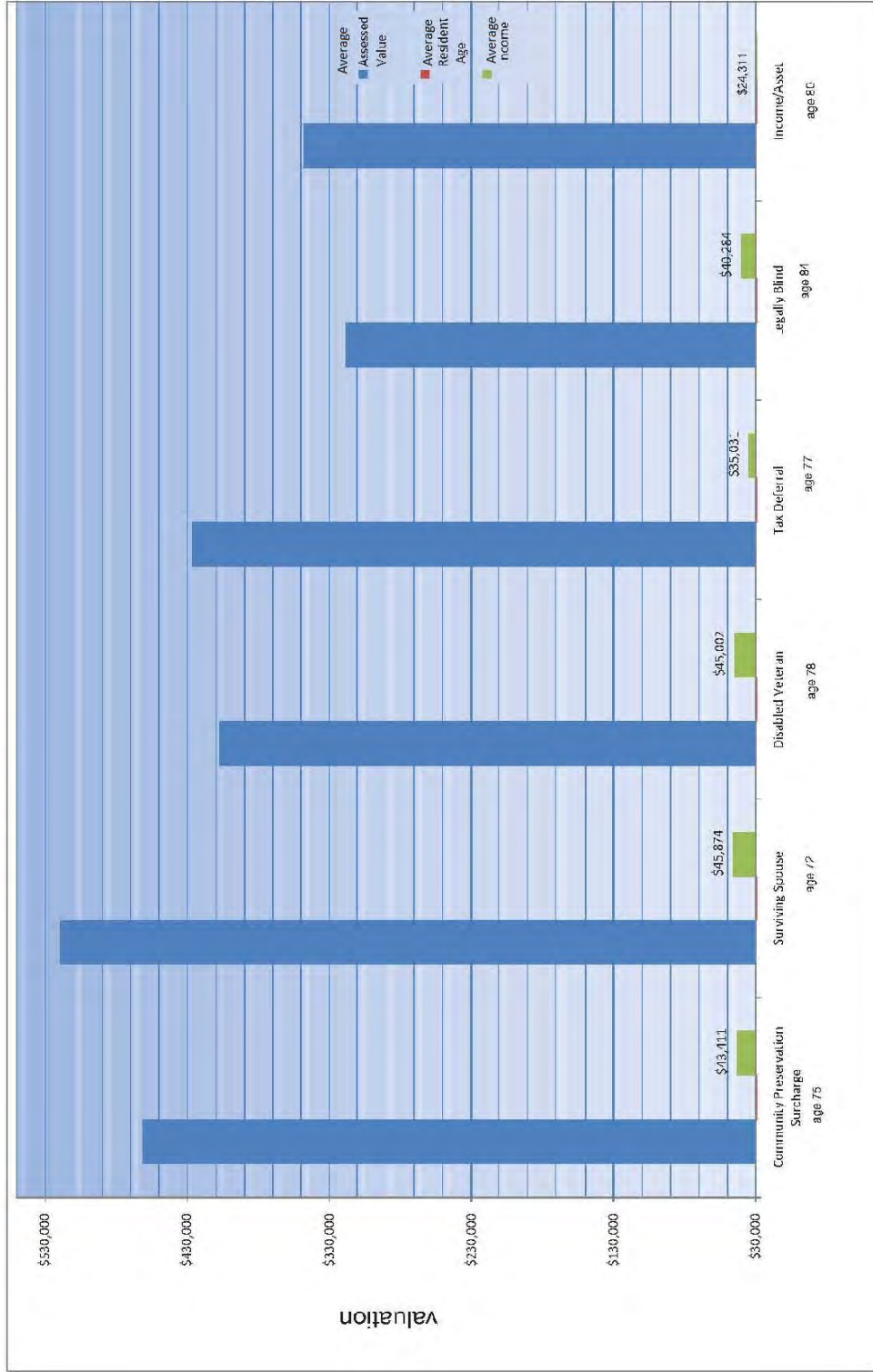
The graph on the following page-was compiled from actual FY 2010 exemption and deferral data. It compares the average of income to assessment for each program type and indicates the average age within each set. It seems to indicate that the exemptions which are not needs based such as Veterans and Widows have higher income and assessments, on average.

Actual assessments for each group range from the low of \$206,000 to the high of \$993,800. The ages shown range from 61 to 97 for this senior population.

Note the program type identified as Income/Asset requires applicants be of the minimum age 65, and have restricted income and assets.

# The Residential Exemption Report

Fiscal Year 2010 Senior Exemptions and Tax Deferral Program Type \*



# The Residential Exemption Report

The average household size seniors receiving assistance: 1.  
 The average age for exemption/deferral seniors: 77.  
 The average income level is \$38,985.

While averages provide meaningful statistics; it must also be considered that approximately 3% of our need based applicants live in homes assessed over the break-even valuation. Consequently if the 20% exemption were to be adopted their tax liability would be significantly higher.

<b>Tax Impact on Exemptions Recipients</b>									
Fiscal Year	2010 Value/ Tax Basis	Actual Value	Actual Tax	Value following 20% Exemption	Res Exempt Tax	Non Qualifying Tax	RES Qualifying Difference	Non Qualifying Tax Increase	
			<b>\$16.08</b>	<b>121,896</b>	<b>\$19.24</b>	<b>\$19.24</b>		<b>\$19.24</b>	
	0	200,000	3,216.00	78,104	1,502.72	28.91	-1,713.28	632	}
	16	250,000	4,020.00	128,104	2,464.72	47.42	-1,555.28	790	
	16	300,000	4,824.00	178,104	3,426.72	65.93	-1,397.28	948	
	24	350,000	5,628.00	228,104	4,388.72	84.44	-1,239.28	1,106.00	
	29	400,000	6,432.00	278,104	5,350.72	102.95	-1,081.28	1,264.00	
	35	450,000	7,236.00	328,104	6,312.72	121.46	-923.28	1,422.00	
	26	500,000	8,040.00	378,104	7,274.72	139.97	-765.28	1,580.00	
	20	550,000	8,844.00	428,104	8,236.72	158.47	-607.28	1,738.00	
	7	600,000	9,648.00	478,104	9,198.72	176.98	-449.28	1,896.00	
	<b>Average Single Family Value</b>	<b>14</b>	<b>650,400</b>	<b>10,458.4 3</b>	<b>528,504</b>	<b>10,168.42</b>	<b>195.64</b>	<b>-290.02</b>	
	1	675,000	10,854.00	553,104	10,641.72	204.75	-212.28	2,133.00	
	3	700,000	11,256.00	578,104	11,122.72	214.00	-133.28	2,212.00	
	1	725,000	11,658.00	603,104	11,603.72	223.26	-54.28	2,291.00	
			<b>11,932.9</b>						
	<b>Breakeven Point</b>	<b>0</b>	<b>742,100</b>	<b>7</b>	<b>620,204</b>	<b>11,932.72</b>	<b>229.59</b>	<b>-0.24</b>	<b>2,345.04</b>
			<b>11,934.5</b>						
	<b>0</b>	<b>742,200</b>	<b>8</b>	<b>620,304</b>	<b>11,934.65</b>	<b>229.62</b>	<b>0.07</b>	<b>2,345.35</b>	
	1	750,000	12,060.00	628,104	12,084.72	232.51	24.72	2,370.00	
	1	800,000	12,864.00	678,104	13,046.72	251.02	182.72	2,528.00	
	3	900,000	14,472.00	778,104	14,970.72	288.04	498.72	2,844.00	
	1	1,000,000	16,080.00	878,104	16,894.72	325.05	814.72	3,160.00	
	0	1,100,000	17,688.00	978,104	18,818.72	362.07	1,130.72	3,476.00	
	0	1,200,000	19,296.00	1,078,104	20,742.72	399.09	1,446.72	3,792.00	
	0	1,700,000	27,336.00	1,578,104	30,362.72	584.18	3,026.72	5,372.00	
	0	1,950,000	31,356.00	1,828,104	35,172.72	676.72	3,816.72	6,162.00	
	Greater than	0	2,200,000	35,376.00	2,078,104	39,982.72	769.27	4,606.72	6,952.00

198

192

6

# The Residential Exemption Report

## Minimum Tax and Assessments

The majority of personal exemptions that qualifying applicants currently receive should not be greatly impacted with the adoption of the property exemption. That is with one exception; properties valued at the very low end of the assessment spectrum.

Chapter 59 § 5C (Residential Exemption) allows for the exemption to be in addition to other exemptions allowable under section five; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions be reduced below ten percent of its full and fair cash valuation.

The following table identifies the minimum assessment required to generate a tax of at least ten percent of the total due when a 20% residential exemption is applied. Beyond the minimum tax of \$260.59, the personal exemption could not be utilized. Some portion would be lost until the total adjusted tax supported minimum due and personal exemption granted.

Minimum Assessment /Tax				
Minimum Actual Assessment/Tax		135,440	2,605.86	
Residential Exemption Value/Tax		121,896	2,345.28	
10% Minimum (Adjusted) Assessment/Tax		13,544	260.59	
The full assessment must be at least 10% greater than the amount being exempted.				
Personal Exemption Tax Loss				
Personal Exemption	10% Minimum Assessment	Minimum Tax Before Personal Exemption	( less) Personal Tax Exemption	Minimum Tax Required
Veteran	13,544	260.59	400.00	660.59
Blind	13,544	260.59	500.00	760.59
Senior	13,544	260.59	1,000.00	1,260.59

# The Residential Exemption Report

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It should be noted that as the required tax increases to allow for a personal exemption, so must the assessment upon which it is raised. Thus; a higher value results in a higher minimum tax due.

## Municipal Relief Act of 2010

Chapter 188 of the Acts of 2010 provides local options to Chapter 59, Section 5 which cities and towns may adopt. Many of the changes provide additional relief to the current allowances available under, §§ 40-42. As well, there is a provision to increase the maximum benefit under the current Senior Work program Chapter 59 § 43. In addition, there are two new exemptions. Clause 56 allows assessors to exempt up to 100 percent of the real and personal property taxes assessed to Massachusetts national guardsmen and reservists for any fiscal year they are deployed overseas

Clause 57 allows assessors to grant exemptions to seniors who qualify for the state circuit breaker income tax credit for their domicile. Exemptions would be up to the amount of the credit, but are subject to annual appropriation. This is an interesting option, which the Town of Wayland adopted via home rule petition in 2000. The Town of Wayland averages approximately 150 circuit breaker applications for exemption annually.

The State does not provide reimbursement for any of the local options. While all the available options have great merit and will benefit certain segments of the population, the cost of adoption will be funded solely by the community

## Circuit Breaker

Homeowners and renters age 65 and older who met income requirements and the assessment cap of \$793,000.were eligible for a tax credit up to \$930. The State provided a credit to those whose property tax exceeded 10% of their 2009 gross income. It is important to note however; this benefit may be jeopardized by the adoption of a residential exemption.

An otherwise qualifying senior whose tax bill is reduced through the RES Exemption may no longer meet the 10% income criteria. Applying Wayland's statistics at least 150 senior households would fit into this category. Calculating 150 (homes) times \$930 shifts \$139,500 from the State coffers to Sudbury's local citizenry.

## Impact on the Community Preservation Program:

The CPA fund allocations should not vary dramatically in terms of total collections. What will change however, are the surcharge amounts applied to individual tax bills. The qualifying Class I properties will initially receive the valuation reduction allowable pursuant to the Residential Exemption, in addition to the automatic \$100,000 CPF exemption. The end result being a lessened surcharge on the lower end properties, and a heightened surcharge on the higher end as well as non-qualifying properties.

# The Residential Exemption Report

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## Local Tax Initiatives

### Circuit Breaker – Tax Credit

In 1997, the Senior Tax Relief Committee was formed. Their studies had shown a disproportionate share of income went to property taxes, as seniors aged. They also considered the constraints of Proposition 2.5 and recognized that the cost of proposing local legislation would be born the town. The goal of this committee was twofold: 1) provide relief to seniors of low and moderate income when property taxes exceeded ten percent of their income; 2) for the State to fund the program. This task force spearheaded the circuit breaker tax legislation, when it enlisted the aid of Councils on Aging to bus their seniors, enmasse, to the State House. With baskets of petitions and letters in hand, they asked their Legislators to support its passage. Senator Birmingham drafted the bill as proposed by Sudbury's committee and it was passed into law.

### PTERC

In 2002, the Annual Town Meeting further addressed preferential tax treatment for seniors. Article 54, was a home rule petition which targeted seniors age 60 and older to receive a residential exemption. At the State level, the bill never left Local Ways and Means. Along with other concerns, there was no means test to determine need. Neither the Board of Selectmen nor the Board of Assessors favored the petition as written.

Selectmen, in turn, established a committee to research of local taxation on seniors. Known as PTERC, the Property Tax Equity Review Committee performed a comprehensive study of the subject. In its findings, the report stated, "*PTERC has voted to recommend that the Selectmen NOT adopt the residential exemption. Sudbury should consider other measures that more precisely target the relief to those in need.*"<sup>3</sup>

### Special Acts

*Once again, Sudbury's common sense approach to taxation became the model for amendments to Chapter 59, § 5, clause 41A – Deferrals. Through its home rule petition, Chapter 320 of the Acts of 2002 allowed preferential qualifications for the Town's senior tax deferral program. Whereby; it reduced the age requirement from 65 to 60; the interest rate from 8% to an annual amount not to exceed 8% and increased the income allowance from \$40,000 to 60,000. The State has modeled its new local options on Sudbury's Special Act.*

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<sup>3</sup> Report to the selectmen from the Property Tax Equity Review Committee, December 11, 2003; Attachment E-Page 1; Para; 1.



# The Residential Exemption Report

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*With the creation of the Sudbury Tax Deferral Committee, an amendment to Chapter 320 of the Acts of 2002 was brought to the State. An important change allowed Sudbury to use the same incomes as those established in Circuit Breaker bill. Applicants can now rely on income limits to match those established for a qualifying married couples filing jointly according to the Circuit Breaker Income Tax Credit Program. The increased income levels per Chapter 458 of the Acts of 2008 have provided eligibility to a significantly larger senior base.*

# The Residential Exemption Report

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## VI. COMMUNITY PROFILES

### Sudbury Profile

The Commonwealth of Mass. Division of Local Services periodically publishes a profile of each community in the Commonwealth. Included herewith is the latest At a Glance Report for Sudbury. The report provides useful demographic information. We have included a map of Sudbury's abutting communities illustrating FY 2010 average single family tax bills. There is no average single family tax bill information available for the 14 residential exemption communities. The Division of Local Services does not collect enough information to calculate an average single-family tax bill for those municipalities.

*Fiscal Year 2010 Average Single Family Tax Bills  
Neighboring Communities*

Community	Fiscal 2010 Tax
<u>Sudbury</u>	<u>\$10,460</u>
Hudson	\$4,098 *
Marlborough	\$4,224 *
Framingham	\$4,979 *
Maynard	\$5,171 *
Natick	\$5,282
Needham	\$7,379
Stow	\$7,379 *
Acton	\$8,767
Wellesley	\$10,581
Concord	\$10,939 *
Wayland	\$10,974 *
Lincoln	\$11,684 *
Sherborn	\$12,626
Weston	\$15,542
State Average	\$4,390

\*Located as a Direct Abutter to Sudbury

- *Sudbury's average tax ranks between the averages in Acton and Wellesley.*
- *It rates the ninth highest in the State.*

# The Residential Exemption Report

Massachusetts Department of Revenue, Division of Local Services

Page 1

## At A Glance Report for Sudbury

### Socioeconomic

County	Middlesex
School Structure	K-08
Form of Government	Town Manager Selectmen Open Town Meeting
2009 Population	17,714
2010 Labor Force	8,649
2010 Unemployment Rate	6.0
1999 Per Capita Income	53,285
2009 Population Per Square Mile	726.88
2009 Housing Units Per Square Mile	229.38
2009 Road Miles	145.56
EQV Per Capita (2008 EQV/2008 Population)	262,857
Number of Registered Vehicles (January 2008)	19,003
Average Age of Vehicles (January 2008)	8.47
2008 Number of Registered Voters	12,045

### Certification

Most Recent	2010
Next Scheduled	2013

### Bond Ratings

Moody's Bond Rating as of June 2010*	Aa1
S & P Bond Rating as of December 2009*	AAA

\*Blank indicates the community has not been rated by the bond agency.

### Fiscal Year 2011 Estimated Cherry Sheet Aid

Education Aid	4,268,355
General Government	1,269,331
<b>Total Receipts</b>	<b>5,537,686</b>
Total Assessments	216,056
<b>Net State Aid</b>	<b>5,321,630</b>

Last Page Update 10/20/2010

# The Residential Exemption Report

Massachusetts Department of Revenue, Division of Local Services

Page 2

## At A Glance Report for Sudbury

### Fiscal Year 2010 Tax Classification

Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	3,719,642,603	59,811,853	16.08
Open Space	0	0	0.00
Commercial	156,881,214	3,158,019	20.13
Industrial	64,300,000	1,294,359	20.13
Personal Property	62,837,650	1,264,922	20.13
<b>Total</b>	<b>4,003,661,467</b>	<b>65,529,153</b>	

### Fiscal Year 2010 Revenues by Source

Revenue Source		Percent of Total
Tax Levy	65,529,153	80.81
State Aid	7,382,623	9.10
Local Receipts	7,354,675	9.07
Other Available	828,920	1.02
<b>Total</b>	<b>81,095,371</b>	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	0
Override	0
Debt Exclusion	4,850,949
Levy Limit	65,621,154
<b>Excess Capacity</b>	<b>92,001</b>
Ceiling	100,091,537
<b>Override Capacity</b>	<b>39,321,332</b>

### Other Available Funds

7/1/2009 Free Cash	FY2009 Stabilization Fund	FY2010 Overlay Reserve
488,595	1,857,558	533,388

Last Page Update 10/20/2010

# The Residential Exemption Report

## At A Glance Report for Sudbury

### Fiscal Year 2010 Average Single Family Tax Bill\*\*

Number of Single Family Parcels	5,389
Assessed Value of Single Family	650,508
Average Single Family Tax Bill	10,460

### State Average Single Family Tax Bill

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

### Sudbury issues property tax bills Quarterly.

\*\*For the communities granting residential exemptions, DLS does not collect enough information to calculate an average single-family tax bill. In FY10 those communities are Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Marlborough, Nantucket, Somerville, Somerset, Tisbury, Waltham and Watertown. Therefore, the average single-family tax bill information in this report will be blank.

### Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	<b>74,452,949</b>	<b>8,686,336</b>	<b>780,084</b>	<b>736,343</b>	<b>8,904,568</b>	<b>93,560,280</b>
<b>Expenditures</b>	<b>67,471,225</b>	<b>6,142,633</b>	<b>12,472,511</b>	<b>721,058</b>	<b>9,075,332</b>	<b>95,882,759</b>
Police	2,655,589	0	0	0	0	2,655,589
Fire	3,169,310	0	0	0	0	3,169,310
Education	45,127,217	3,546,136	0	0	0	48,673,353
Public Works	3,317,529	32,261	621,722	0	0	3,971,512
General Fund Debt Service	4,347,060					4,347,060
Health Ins	0					0
Pension	2,621,713					2,621,713
All Other	6,232,807	2,564,236	11,850,789	721,058	9,075,332	30,444,222

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

### Total Revenues and Expenditures Per Capita

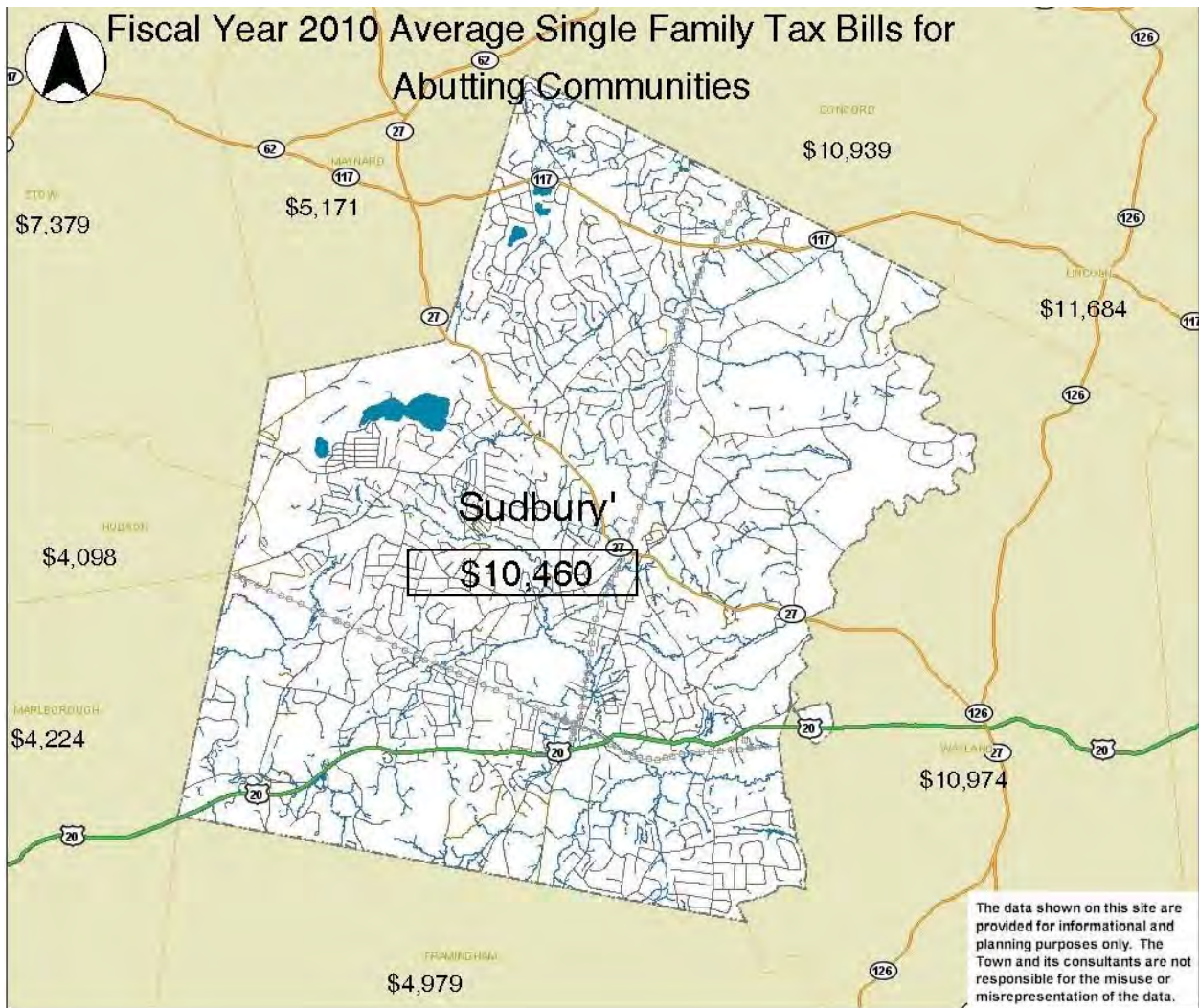
	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	<b>4,203.1</b>	<b>490.4</b>	<b>44.0</b>	<b>41.6</b>	<b>502.7</b>	<b>5,281.7</b>
<b>Expenditures</b>	<b>3,808.9</b>	<b>346.8</b>	<b>704.1</b>	<b>40.7</b>	<b>512.3</b>	<b>5,412.8</b>

If you have questions regarding the data contained in this report, please contact the Municipal Databank/Local Aid Section at (617) 626-2384 or [databank@dor.state.ma.us](mailto:databank@dor.state.ma.us).

Click [here](#) to see if the Division of Local Services' Technical Assistance Section has conducted a financial management review or other analysis in Sudbury.

Last Page Update 10/20/2010

# The Residential Exemption Report



# The Residential Exemption Report

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## Community Comments

Assessor Offices from surrounding communities were asked why their towns did not adopt the exemption. Bedford cited administration issues and tax inequity. Acton spoke of the difficulty of redistributing taxes from recipients if the Town changes its position. Concord struggles with this issue at their classification hearings, and considerate it a blunt instrument for reducing tax burdens. All respondents commented that their community did not fit the profile for which the legislation was intended.

Communities with the residential exemption program in place were also contacted for the overall effect and impact of the program. The towns of Barnstable and Tisbury responded. Excerpts from their observations are incorporated in the Administration section of the Report.

## Cities and Towns with the Residential Exemption

Fourteen out of 351 Massachusetts Communities have a Residential Exemption Program in place. Sudbury's demographic profile differs from the community types currently utilizing the adoption. Cities and seasonal or resort communities characterize the areas currently employing a Residential Exemption Program.

The majority of Sudbury's Class I (residential) properties are owner occupied homes, thus, a very limited inventory of non-owner occupied homes on which to shift the tax burden.

The Town of Tisbury has many seasonal homes, and a small proportion of year round residents, therefore the exemption in this community shifts the burden to the seasonal properties

The Town of Somerset has two power plants, which basically support the tax base. The exemption is used to further lower property taxes for those living in the community with the plants.

The cities having adopted the exemption have a large number of apartments. The tax increase on the apartment buildings offset the taxes on the fewer single family homes.

The Town of Weymouth is the only community to date which made the decision to adopt the exemption and then reverse it a few years later. The Program was in place from 1982 to 1986. It was a difficult undertaking to reverse it. Once the tax shift is in place there is an assumption (dependence) on maintaining or not significantly changing it.

*Nantucket utilizes an open space tax rate, as well as a CIP rate and residential rate.*

# The Residential Exemption Report

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Somerset has adopted a 10% small commercial exemption in addition the RES exemption.

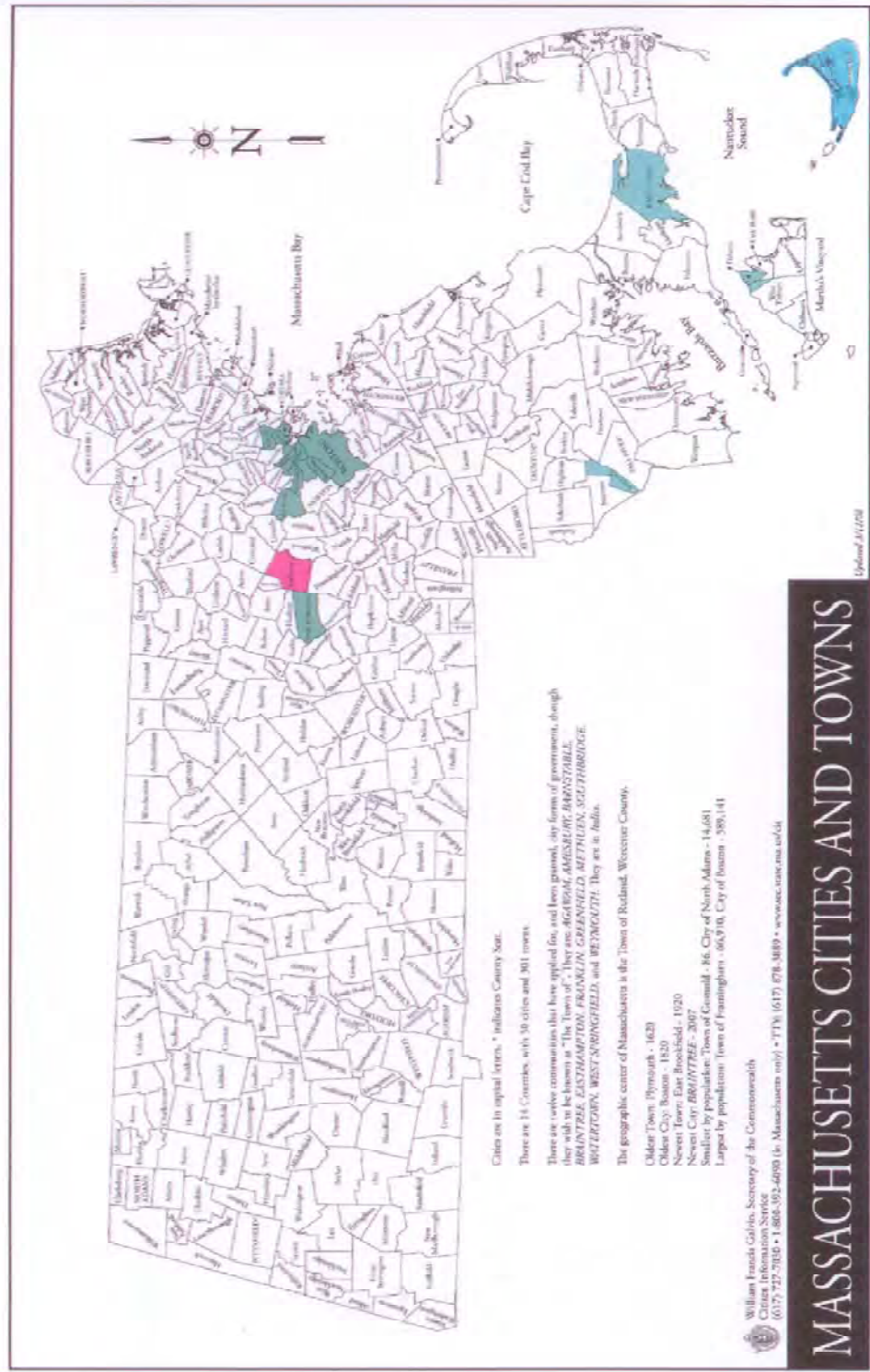


# The Residential Exemption Report

## Comparison of Sudbury to the 14 Residential Exemption Communities

Municipality	FY10 Total Value	Residential % of Total Value	CIP % of Total Value	Residential Factor Selected	CIP Shift	% of Adoption
<b>SUDBURY</b>	<b>4,003,661,467</b>	<b>93%</b>	<b>7%</b>	<b>0.9824</b>	<b>1.23</b>	<b>0</b>
CAMBRIDGE	24,271,700,606	61%	39%	0.5632	1.69	30
EVERETT	3,707,402,590	63%	37%	0.5572	1.75	20
BOSTON	87,256,532,047	64%	36%	0.5872	1.75	30
MARLBOROUGH	4,716,118,822	67%	33%	0.7635	1.48	5
WALTHAM	8,542,640,122	68%	32%	0.6445	1.75	20
CHELSEA	2,131,640,190	68%	32%	0.6467	1.75	20
SOMERSET *	2,692,490,120	70%	30%	0.6818	1.75	10
WATERTOWN	4,968,622,010	81%	19%	0.8246	1.75	20
SOMERVILLE	8,261,279,820	85%	15%	0.8671	1.75	30
MALDEN	5,099,369,821	87%	13%	0.8836	1.75	10
TISBURY	2,717,459,531	88%	12%	0.9607	1.30	20
BARNSTABLE	13,360,218,025	88%	12%	1.0000	1.00	20
BROOKLINE	14,841,644,460	91%	9%	0.9247	1.73	20
NANTUCKET	20,063,008,015					20

## 14 Residential Exemption Communities and Sudbury



# The Residential Exemption Report

Census 2000 Demographic Profile Highlights			
<b>SUDBURY</b>			
General Characteristics	Number	Percent	U.S.
Total population	16,845		
Male	8,225	48.8	49.10%
Female	8,620	51.2	50.90%
Median age	38.8	(X)	35.3
Under 5 years	1,489	8.8	6.80%
18 years and over	11,367	67.5	74.30%
65 years and over	1,653	9.8	12.40%
Household population	16,651	98.8	97.20%
Group quarters population	194	1.2	2.80%
Average household size	3.02	(X)	2.59
Average family size	3.28	(X)	3.14
Total housing units	5,591		
Occupied housing units	5,505	98.5	91.00%
Owner-occupied housing units	5,077	92.2	66.20%
Renter-occupied housing units	428	7.8	33.80%
Vacant housing units	86	1.5	9.00%
Population 25 years and over	10,824		
High school graduate or higher	10,426	96.3	80.40%
Disability status (population 5 years and over)	1,503	9.9	19.30%
Median household income in 1999 (dollars)	118579	(X)	41994
Families below poverty level	102	2.1	9.20%
Individuals below poverty level	466	2.8	12.40%
Single-family owner-occupied homes	4,813		
Median value (dollars)	422,400	(X)	119,600

# The Residential Exemption Report

Comparative Demographics						
Median / Average Demographics By Community Type						
Residential Exemption Coastal Communities Characteristics	Median	Average	Sudbury Actual	Average	Median	Residential Exemption Cities Characteristics
Total population	18,234	10,995	16,845	56,724	108,301	Total population
Male	8,635	5,197	8,225	26,477	52,201	Male
Female	9,599	5,798	8,620	29,625	56,100	Female
Median age	43	43	38.8	34	34	Median age
Under 5 years	791	489	1,489	2,812	5,756	Under 5 years
18 years and over	14,516	8,732	11,367	46,353	88,070	18 years and over
65 years and over	3,835	2,254	1,653	7,442	12,063	65 years and over
Household Population	17,952	10,798	16,651	54,478	101,985	Household Population
Group quarters population	282	197	194	1,316	6,316	Group quarters population
<a href="#">Average household size</a>	2	2	3.02	2	2	<a href="#">Average household size</a>
Average family size	3	3	3.28	3	3	Average family size
Total housing units	7,143	4,932	5,591	23,757	46,122	Total housing units
Occupied housing units	6,987	4,317	5,505	23,108	44,196	Occupied housing units
Owner-occupied housing units	5,723	3,392	5,077	9,809	15,842	Owner-occupied housing units
Renter-occupied housing units	1,264	925	428	12,789	28,354	Renter-occupied housing units
Vacant housing units	1,074	1,074	86	649	1,926	Vacant housing units
Population 25 years and over	13,345	8,034	10,824	40,242	71,793	Population 25 years and over
High school graduate or higher	10,144	6,284	10,426	33,962	58,541	High school graduate or higher
Disability status (population 5 years and over)	3,168	1,949	1,503	9,751	20,681	Disability status (population 5 years and over)
<a href="#">Median household income</a>	45,933	41,487	118,579	47,147	48,776	<a href="#">Median household income</a>
Families below poverty level	167	119	102	897	2,587	Families below poverty level
Individuals below poverty level	716	580	466	5,148	16,070	Individuals below poverty level
Single-family owner-occupied homes	5,309	3,121	4,813	4,434	7,090	Single-family owner-occupied homes
Median value (dollars)	178,800	228,850	422,400	202,350	260,450	Median value (dollars)

# The Residential Exemption Report

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Census 2000 Demographic Profile Highlights <b>CAMBRIDGE</b>		
General Characteristics	Number	Percent
Total population	101,355	
Male	49,674	49
Female	51,681	51
Median age	30.4	(X)
Under 5 years	4,125	4.1
18 years and over	87,908	86.7
65 years and over	9,282	9.2
Household population	86,692	85.5
Group quarters population	14,663	14.5
Average household size	2.03	(X)
Average family size	2.83	(X)
Total housing units	44,725	
Occupied housing units	42,615	95.3
Owner-occupied housing units	13,760	32.3
Renter-occupied housing units	28,855	67.7
Vacant housing units	2,110	4.7
Population 25 years and over	66,315	
High school graduate or higher	59,375	89.5
Disability status (population 5 years and over)	13,760	14.2
Median household income in 1999 (dollars)	47979	(X)
Families below poverty level	1,562	8.7
Individuals below poverty level	11,295	12.9
Single-family owner-occupied homes	4,453	
Median value (dollars)	398,500	(X)

# The Residential Exemption Report

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Census 2000 Demographic Profile Highlights <b>EVERETT</b>		
General Characteristics	Number	Percent
Total population	38037	
Male	18119	47.6
Female	19918	52.4
Median age	35.6	(X)
Under 5 years	2244	5.9
18 years and over	29806	78.4
65 years and over	5602	14.7
Household population	37806	99.4
Group quarters population	231	0.6
Average household size	2.45	(X)
Average family size	3.11	(X)
Total housing units	15908	
Occupied housing units	15435	97
Owner-occupied housing units	6391	41.4
Renter-occupied housing units	9044	58.6
Vacant housing units	473	3
Population 25 years and over	26399	
High school graduate or higher	20119	76.2
Disability status (population 5 years and over)	8611	24.2
Median household income in 1999 (dollars)	40661	(X)
Families below poverty level	888	9.2
Individuals below poverty level	4456	11.8
Single-family owner-occupied homes	2812	
Median value (dollars)	164500	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>BOSTON</b>		
General Characteristics	Number	Percent
Total population	589,141	
Male	283,588	48.1
Female	305,553	51.9
Median age	31.1	(X)
Under 5 years	32,046	5.4
18 years and over	472,582	80.2
65 years and over	61,336	10.4
Household population	554,064	94
Group quarters population	35,077	6
Average household size	2.31	(X)
Average family size	3.17	(X)
Total housing units	251,935	
Occupied housing units	239,528	95.1
Owner-occupied housing units	77,226	32.2
Renter-occupied housing units	162,302	67.8
Vacant housing units	12,407	4.9
Population 25 years and over	377,574	
High school graduate or higher	297,945	78.9
Disability status (population 5 years and over)	120,253	21.9
Median household income in 1999 (dollars)	39629	(X)
Families below poverty level	17,892	15.3
Individuals below poverty level	109,128	19.5
Single-family owner-occupied homes	30,467	
Median value (dollars)	190,600	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>MARLBOROUGH</b>		
General Characteristics	Number	Percent
Total population	36,255	
Male	17,869	49.3
Female	18,386	50.7
Median age	36.1	(X)
Under 5 years	2,554	7
18 years and over	27,824	76.7
65 years and over	4,190	11.6
Household population	35,766	98.7
Group quarters population	489	1.3
Average household size	2.47	(X)
Average family size	3.07	(X)
Total housing units	14,903	
Occupied housing units	14,501	97.3
Owner-occupied housing units	8,842	61
Renter-occupied housing units	5,659	39
Vacant housing units	402	2.7
Population 25 years and over	25,512	
High school graduate or higher	22,274	87.3
Disability status (population 5 years and over)	5,722	17.1
Median household income in 1999 (dollars)	56879	(X)
Families below poverty level	445	4.7
Individuals below poverty level	2,455	6.8
Single-family owner-occupied homes	7,027	
Median value (dollars)	190,600	(X)



# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>CHELSEA</b>		
General Characteristics	Number	Percent
Total population	35,080	
Male	17,617	50.2
Female	17,463	49.8
Median age	31.3	(X)
Under 5 years	2,829	8.1
18 years and over	25,512	72.7
65 years and over	3,933	11.2
Household population	34,127	97.3
Group quarters population	953	2.7
Average household size	2.87	(X)
Average family size	3.5	(X)
Total housing units	12,337	
Occupied housing units	11,888	96.4
Owner-occupied housing units	3,440	28.9
Renter-occupied housing units	8,448	71.1
Vacant housing units	449	3.6
Population 25 years and over	21,597	
High school graduate or higher	12,844	59.5
Disability status (population 5 years and over)	9,546	30.4
Median household income in 1999 (dollars)	30161	(X)
Families below poverty level	1,582	20.6
Individuals below poverty level	7,921	23.3
Single-family owner-occupied homes	1,057	
Median value (dollars)	149,200	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>WATERTOWN</b>		
General Characteristics	Number	Percent
Total population	32,986	
Male	15,265	46.3
Female	17,721	53.7
Median age	36.7	(X)
Under 5 years	1,535	4.7
18 years and over	28,327	85.9
65 years and over	5,505	16.7
Household population	31,741	96.2
Group quarters population	1,245	3.8
Average household size	2.17	(X)
Average family size	2.86	(X)
Total housing units	15,008	
Occupied housing units	14,629	97.5
Owner-occupied housing units	6,881	47
Renter-occupied housing units	7,748	53
Vacant housing units	379	2.5
Population 25 years and over	25,300	
High school graduate or higher	22,108	87.4
Disability status (population 5 years and over)	5,916	19.1
Median household income in 1999 (dollars)	59764	(X)
Families below poverty level	335	4.5
Individuals below poverty level	2,000	6.3
Single-family owner-occupied homes	3,268	
Median value (dollars)	270,600	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>SOMERVILLE</b>		
General Characteristics	Number	Percent
Total population	77,478	
Male	37,730	48.7
Female	39,748	51.3
Median age	31.1	(X)
Under 5 years	3,500	4.5
18 years and over	65,983	85.2
65 years and over	8,099	10.5
Household population	74,963	96.8
Group quarters population	2,515	3.2
Average household size	2.38	(X)
Average family size	3.06	(X)
Total housing units	32,477	
Occupied housing units	31,555	97.2
Owner-occupied housing units	9,656	30.6
Renter-occupied housing units	21,899	69.4
Vacant housing units	922	2.8
Population 25 years and over	53,693	
High school graduate or higher	43,285	80.6
Disability status (population 5 years and over)	14,317	19.4
Median household income in 1999 (dollars)	46315	(X)
Families below poverty level	1,254	8.4
Individuals below poverty level	9,395	12.5
Single-family owner-occupied homes	2,712	
Median value (dollars)	214,100	(X)

# The Residential Exemption Report

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Census 2000 Demographic Profile Highlights <b>TISBURY</b>		
General Characteristics	Number	Percent
Total population	3,755	
Male	1,758	46.8
Female	1,997	53.2
Median age	42	(X)
Under 5 years	187	5
18 years and over	2,948	78.5
65 years and over	673	17.9
Household population	3,644	97
Group quarters population	111	3
Average household size	2.21	(X)
Average family size	2.92	(X)
Total housing units	2,720	
Occupied housing units	1,646	60.5
Owner-occupied housing units	1,061	64.5
Renter-occupied housing units	585	35.5
Vacant housing units	1,074	39.5
Population 25 years and over	2,723	
High school graduate or higher	2,423	89
Disability status (population 5 years and over)	729	21.2
Median household income in 1999 (dollars)	37041	(X)
Families below poverty level	71	7.7
Individuals below poverty level	444	12.2
Single-family owner-occupied homes	933	
Median value (dollars)	278,900	(X)

# The Residential Exemption Report

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Census 2000 Demographic Profile Highlights <b>BARNSTABLE</b>		
General Characteristics	Number	Percent
Total population	222,230	
Male	105,199	47.3
Female	117,031	52.7
Median age	44.6	(X)
Under 5 years	10,599	4.8
18 years and over	176,790	79.6
65 years and over	51,265	23.1
Household population	216,553	97.4
Group quarters population	5,677	2.6
Average household size	2.28	(X)
Average family size	2.82	(X)
Total housing units	147,083	
Occupied housing units	94,822	64.5
Owner-occupied housing units	73,787	77.8
Renter-occupied housing units	21,035	22.2
Vacant housing units	52,261	35.5
Population 25 years and over	165,115	
High school graduate or higher	151,594	91.8
Disability status (population 5 years and over)	42,178	20.3
Median household income in 1999 (dollars)	45933	(X)
Families below poverty level	2,833	4.6
Individuals below poverty level	15,021	6.9
Single-family owner-occupied homes	67,021	
Median value (dollars)	178,800	(X)

# The Residential Exemption Report

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Census 2000 Demographic Profile Highlights <b>BROOKLINE</b>		
General Characteristics	Number	Percent
Total population	57,107	
Male	25,832	45.2
Female	31,275	54.8
Median age	34.5	(X)
Under 5 years	2,639	4.6
18 years and over	47,604	83.4
65 years and over	7,108	12.4
Household population	55,721	97.6
Group quarters population	1,386	2.4
Average household size	2.18	(X)
Average family size	2.86	(X)
Total housing units	26,413	
Occupied housing units	25,594	96.9
Owner-occupied housing units	11,583	45.3
Renter-occupied housing units	14,011	54.7
Vacant housing units	819	3.1
Population 25 years and over	41,060	
High school graduate or higher	39,534	96.3
Disability status (population 5 years and over)	7,238	13.4
Median household income in 1999 (dollars)	66711	(X)
Families below poverty level	561	4.5
Individuals below poverty level	5,177	9.3
Single-family owner-occupied homes	4,414	
Median value (dollars)	599,500	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>WALTHAM</b>		
General Characteristics	Number	Percent
Total population	59,226	
Male	29,194	49.3
Female	30,032	50.7
Median age	34.2	(X)
Under 5 years	2,795	4.7
18 years and over	50,053	84.5
65 years and over	7,775	13.1
Household population	53,235	89.9
Group quarters population	5,991	10.1
Average household size	2.29	(X)
Average family size	3.01	(X)
Total housing units	23,880	
Occupied housing units	23,207	97.2
Owner-occupied housing units	10,677	46
Renter-occupied housing units	12,530	54
Vacant housing units	673	2.8
Population 25 years and over	39,912	
High school graduate or higher	34,070	85.4
Disability status (population 5 years and over)	9,956	17.9
Median household income in 1999 (dollars)	54010	(X)
Families below poverty level	448	3.6
Individuals below poverty level	3,752	7
Single-family owner-occupied homes	8,695	
Median value (dollars)	250,800	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>MALDEN</b>		
General Characteristics	Number	Percent
Total population	56,340	
Male	27,122	48.1
Female	29,218	51.9
Median age	35.7	(X)
Under 5 years	3,294	5.8
18 years and over	45,102	80.1
65 years and over	7,804	13.9
Household population	55,735	98.9
Group quarters population	605	1.1
Average household size	2.42	(X)
Average family size	3.13	(X)
Total housing units	23,634	
Occupied housing units	23,009	97.4
Owner-occupied housing units	9,962	43.3
Renter-occupied housing units	13,047	56.7
Vacant housing units	625	2.6
Population 25 years and over	40,572	
High school graduate or higher	33,853	83.4
Disability status (population 5 years and over)	11,495	21.8
Median household income in 1999 (dollars)	45654	(X)
Families below poverty level	906	6.6
Individuals below poverty level	5,118	9.2
Single-family owner-occupied homes	5,991	
Median value (dollars)	176,100	(X)



# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>SOMERSET</b>		
General Characteristics	Number	Percent
Total population	18,234	
Male	8,635	47.4
Female	9,599	52.6
Median age	43	(X)
Under 5 years	791	4.3
18 years and over	14,516	79.6
65 years and over	3,835	21
Household population	17,952	98.5
Group quarters population	282	1.5
Average household size	2.57	(X)
Average family size	2.98	(X)
Total housing units	7,143	
Occupied housing units	6,987	97.8
Owner-occupied housing units	5,723	81.9
Renter-occupied housing units	1,264	18.1
Vacant housing units	156	2.2
Population 25 years and over	13,345	
High school graduate or higher	10,144	76
Disability status (population 5 years and over)	3,168	18.5
Median household income in 1999 (dollars)	51770	(X)
Families below poverty level	167	3.2
Individuals below poverty level	716	4
Single-family owner-occupied homes	5,309	
Median value (dollars)	144,800	(X)

# The Residential Exemption Report

Census 2000 Demographic Profile Highlights <b>NANTUCKET</b>		
General Characteristics	Number	Percent
Total population	9,520	
Male	4,884	51.3
Female	4,636	48.7
Median age (years)	36.7	(X)
Under 5 years	525	5.5
18 years and over	7,692	80.8
65 years and over	1,000	10.5
Household population	8,760	92
Group quarters population	760	8
Average household size	2.37	(X)
Average family size	2.9	(X)
Total housing units	9,210	
Occupied housing units	3,699	40.2
Owner-occupied housing units	2,334	63.1
Renter-occupied housing units	1,365	36.9
Vacant housing units	5,511	59.8
Population 25 years and over	6,976	
High school graduate or higher		
Disability status (population 5 years and over)	10	
Median household income in 1999 (dollars)	55,522	(X)
Families below poverty level		(X)
Individuals below poverty level		
Single-family owner-occupied homes	2,041	
Median value (dollars)	577,500	(X)

# The Residential Exemption Report

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## VII. ADMINISTRATION

Determining the logistics and educating the public on the change in equity of the new program will be time consuming. The intensive review the first year will incur additional costs to personnel in order to complete the preliminary qualification process.

- As the assessors serve as the gatekeepers for all exemptions, determining eligibility including a review of tax return data, examining trust documents etc. all contribute to the administrative burden which falls solely on the Assessor's Office.
- Ideally the cost of the Program should simply be a matter of redistributing the burden within the Class I properties. However, in anticipation of numerous appeals from property owners whose application for exemption was denied, or those simply appealing the increased tax resulting from the adoption; sufficient funds must be set aside for overlay. The overlay amounts are certified by the State and must be adequate to meet the anticipated demand.

### Comments from Barnstable and Tisbury

Inserted herewith are excerpts from the Towns of Barnstable and Tisbury commenting on the impact and implementation of their Exemption Programs.

Barnstable: "The biggest procedural problem with this is that, like all exemptions, taxpayers have until 90 days after the actual tax bill is mailed to apply for the exemption. Since you have already done your recap and set your tax rate, any significant number of new applications can have a real negative impact on your overlay balance and you want to avoid this at all costs.

The administrative impact on my office has been quite large. Having been given no additional staffing to handle it, it becomes another exemption to administer but this exemption has FAR more applicants than all the other exemptions put together. To put it in perspective, we had 678 total exemptions in FY10 for veterans, elderly, etc. The total number of residential exemptions in the same year was 14,905. Now, once you get a stable inventory of qualifications, it becomes a matter of coding and following them when they sell or change title after the first of the year, every year, but until you do, your foot and phone traffic will double or triple. Since they only have to qualify once, longer-range maintenance isn't too onerous. We, like Boston, require that they submit the front page of their prior year federal or state tax return (with social security numbers and dollar amounts blacked out, if they wish) along with the application. We've encountered numerous issues like having a P.O. Box list on the return or that they do not file a return at all, that require procedural

# The Residential Exemption Report

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standards to be set by the Board of Assessors. Your biggest challenge will be qualification of taxpayers in a timely manner and, before I go into any other detail about the exemption, I will stress that if your Board of Selectmen decides to vote it in, BE ABSOLUTELY FIRM that it not be in effect until the following fiscal year. You will need at least a year to feel comfortable that you have a reasonable number of the potentially qualified properties on record.

Tisbury: "The application process is very time consuming. The biggest issue is trying to get applicants to get all documentation submitted. Second problem is determining eligibility for properties held in trust. Also if someone should sell and buy within the same town that the new parcel will not benefit from the exemption until after the eligibility date. Another issue is where we are a resort community we have non-residents that will change their domicile for the one year receive the exemption and go back to being domiciled somewhere else. Also have to check other real estate owned to see if they are benefiting from another exemption somewhere else".<sup>4</sup>

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<sup>4</sup> Please see appendix E letter from Brookline Assessors 2004.

# The Residential Exemption Report

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## VIII. CONSEQUENCES

Previous areas of the report have cautioned that the exemption will provide a benefit to a number of property owners, while at the same time acting as a detriment to a different group of property owners. This segment will take a closer look at both the positive and the negative consequences.

Based on the initial assumptions made in terms of eligibility as identified in Qualification & Eligibility the following chart projects the likely tax decreases within specific valuation ranges.

### Tax Decrease Chart

<u>COUNT</u>	<u>AVERAGE TAX DECREASE</u>	<u>FISCAL YEAR 2010 ASSESSMENT RANGE</u>
17	\$1,832.46	Up to \$200,000
189	\$1,503.26	\$ 200,000 to 300,000
657	\$,1209.31	\$ 300,000 to 400,000
1203	\$930.40	\$ 400,000 to 500,000
1019	\$607.11	\$ 500,000 to 600,000
768	\$302.55	\$ 600,000 to 700,000
241	\$66.48	\$ 700,000 to 742,000
<u>4094</u>	<u>Total</u>	

In general, *most* owners who meet the prerequisites of the exemption will qualify for some relief; provided the assessed value is below the breakeven point. Many senior households with at least one eligible resident over the age of 60 will benefit. The average assessed value for such households is just \$559,100.

# The Residential Exemption Report

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## Equity Issues

- The exemption does not regard income, or the ability to pay
- The exemption does not distinguish between age groups
- It does not guarantee that a senior will pay less property taxes
- The exemption does not differentiate between excess users of Town services and infrastructure

## Citizen Costs

- The program does not distinguish between citizens with and without school age children. The Town will not have the ability to ensure that all seniors will benefit from the program's adoption.
- All *nonresident* home owners regardless of assessment will see tax increases.
- Approximately 7% of Residential homeowners whose property title is held in certain Trusts will pay higher taxes. All other residential properties including over 400 parcels of vacant land will not be eligible.
- Renters as a group are more likely to be in need of relief from property tax increases which would be passed on through higher rents<sup>5</sup>.
- Non qualifying property types will see up to a 23% increase in their tax.
- Non-qualifying owners with limited income, sudden illness, job layoffs could see this financial stressor as the breaking point for remaining in their Sudbury home
- 18% of the Class I properties may not qualify. They will pay based on the "original assessed value" (non- exempt value), at the increased tax rate. The "average assessed value" for the group is \$437,869, which will amount to an average increase of \$1,383.67 in tax dollars.
- Of the remaining 82% likely to qualify, those *above* the break-even point include some of the seniors who receive income-based exemptions and deferrals.

## Redistribution of the Tax

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<sup>5</sup> According to United States Census Bureau data from the 2000 Census, the number of owner occupied housing units in Massachusetts exceeds the number of renter occupied housing units (1,508,248 and 935,332, respectively). However, the number of occupants below the poverty level living in rental units(186,552) far exceeds the number in owner occupied housing (54,345). To that extent that the tax burden on renters is increased by local adoption of the residential exemption. *Important to note: renters are not eligible for personal exemption relief, such as blind, veterans, etc.*

# The Residential Exemption Report

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Real estate demand, housing and location preferences continually ebb and flow. These trends are mimicked in the annual property assessments. While the voted percent may be a constant each year, its adoption cannot guarantee a reduced tax bill for properties for which the assessments have moved above the breakeven point.

Annual votes on the percentage of Exemption can fluctuate.

- Tax payers will have difficulty budgeting their property taxes
- Taxes held in escrow will see tremendous variations if the annual percent changes or assessment goes above the breakeven. Some owners may not be able to manage the mortgage swings, when the percentage or their assessment fluctuates or a future Board opts out of the program.
- Adopting the exemption can only be implemented after issuance of the preliminary tax bills. Therefore, a property owner whose tax assessment is above the breakeven point or does not qualify will see a substantially higher tax bill for the tax year that the program is voted.

# The Residential Exemption Report

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## CONCLUSION

For many years Sudbury town fathers tried to reverse the affect of split tax rates between CIP and RES properties. The tax shift works best with a large CIP base because it can absorb a significant amount of the levy. Sudbury relies on a very small commercial tax base to provide tax relief to its residential sector, when the preferred outcome has been minimal, at best. With a sometimes erratic real estate market it has become even more difficult to rely on CIP to offset the residential tax burden. In recent years, Sudbury Boards of Selectmen settled for equalizing levy increases to each of the classes as a best effort to 'un-ring' the bell.

*When a community does not fit the profile for the category of tax relief, the residential exemption is a blunt instrument for attaining that purpose.*

As the reliance on the property tax to fund town services has grown, residents of modest means are finding it difficult to meet their tax demands and remain in Sudbury.

Options to adjust the property tax burden are limited. The state defines the ways which we may adjust the impact of the property tax, and we have implemented many of these programs.

With the challenging economy, it is not just low and moderate income seniors who are struggling with their property tax burden. There is evidence of over burdened younger property owners who purchased at the peak of the real estate boom. They too are finding it difficult. Short sales and foreclosures are occurring among the younger population and the higher end real estate market.

For generations Town Fathers have been concerned with property tax equity. There is no right answer. There is no easy solution to whether it is in Sudbury's best interest to adopt a Residential Exemption Program. It is difficult to "un-ring the bell. Therefore; a decision to adopt this exemption will have long term consequences.

## APPENDIX

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# The Residential Exemption Report

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No table of figures entries found.

# The Residential Exemption Report

**APPENDIX A**

*Mailed copy to Mrs Brennan 5/12/80*  
 THE COMMONWEALTH OF MASSACHUSETTS

**TAX RATE RECAPITULATION**  
 OF  
SUDBURY  
 City or Town

FISCAL 1980

**I. TAX RATE SUMMARY**

1. Gross Amount to be Raised (from Part VI) . . . . .	\$	13,906,548.39	✓
2. Estimated Receipts and Available Funds (from Part VII, Line 7) . . . . .		3,225,804.39	
3. Net Amount to be Raised by Taxation (subtract Line 2 from Line 1) . . . . .		10,680,744.00	
4. Real Property Valuations . . . . .		176,408,000	
5. Personal Property Valuations . . . . .		9,344,063	
6. Total Property Valuations (add Line 4 and Line 5) . . . . .		185,752,063	
7. Tax Rate (divide Line 3 by Line 6, multiply by 1000) . . . . .		57.50	
8. Real Property Tax (multiply Line 4 by Line 7) . . . . .		10,143,460	
9. Personal Property Tax (multiply Line 5 by Line 7) . . . . .		537,284	
10. Total Taxes Levied on Property (add Line 8 and Line 9) . . . . .	\$	10,680,744	

Board of Assessors of SUDBURY  
City or Town  
*Frank H. Spinnell*  
*David A. Hubbard*  
*William R. Newland*

October 11 1980x 1979

Do Not Write Below This Line - For Department Use Only

A fiscal year 19 80 tax rate of \$ 57.50  
 using estimated receipt of \$   
 and an overlay of \$ 395,345.08  
 is hereby approved for the  
Town of Sudbury  
 Commissioner of Revenue  
 By Anthony P. Henry  
 Chief, Property Tax Bureau

*852,125.26*

# The Residential Exemption Report

## APPENDIX B

*copy given to John... 7/17/81 227-0516*

THE COMMONWEALTH OF MASSACHUSETTS  
Department of Revenue

RECEIVED  
BOARD OF ASSESSORS OFFICE  
1980 DEC 22 PM 3:11  
TOWN OF SUDBURY, MASS.

*you 6/30/81*

TAX RATE RECAPITULATION  
OF  
SUDBURY  
City or Town

FISCAL 1981

A. P. GROSSO

**I. TAX RATE SUMMARY**

A. Gross Amount to be Raised (from Part VI).....	\$	15,732,955.52
B. Estimated Receipts and Available Funds (from Part VII, Line 7).....		3,216,801.79
C. Net Amount to be Raised by Taxation (subtract B from A).....		12,516,153.73
D. Classified Tax Levies and Rates.		12,535,713.35

(A) Class.	(B) Levy Percentage	(C) Levy by Class	(D) Valuation by Class	(E) Tax Rates - (C) ÷ (D) × 1000
I Residential	77.8710 77.9932	9,761,748.48	369,763,200	26.40
II Open Space	0	0	0	0
III Commercial	12.4150 12.346	1,553,875.37	39,239,277	39.60
IV Industrial	5.7770 5.7861	724,204.80	18,288,000	39.60
V Pers. Prop.	3.9514 3.8057	476,325.08 476,325.08	12,324,341 12,028,411	39.60
<b>TOTAL</b>	<b>100%</b>	<b>\$ 12,516,153.73</b>	<b>\$ 439,318,888</b>	

E. Real Property Tax (add Column (C) Class I II III IV) 12,039,828.65

F. Personal Property Tax (Column (C) Class V) 476,325.08

G. Total Taxes Levied on Property (E + F) \$ 12,516,153.73

Board of Assessors of SUDBURY  
City or Town

*David...  
William R. ...  
David Y. ...*

December 11, 1980

Do Not Write Below This Line — For Department Use Only

4-77000

4-77000

# The Residential Exemption Report

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## APPENDIX C

appendix C

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
DIVISION OF LOCAL SERVICES

Property Tax Bureau  
Informational Guideline Release (IGR) No. 91-209  
July 1991

### EXEMPTION ELIGIBILITY OF PROPERTY HELD IN TRUST

Relating to  
Personal and Residential Exemptions  
Available under Chapter 59, S. 5 and 5C

To qualify for a personal or residential tax exemption on his or her domicile under Ch. 59 §5 or §5C, an individual must, among other things, have been an owner of that domicile on the qualification date for the fiscal year to which the tax relates. For exemptions under Section 5, the qualification date is July first of that year. For exemptions under Section 5C, that date is the preceding January first.

Frequently, however, persons place their domiciles in trust, most often for estate planning purposes. In those cases, the assessors must determine whether the person has a sufficient ownership interest in that property to qualify for a local property tax exemption.

A trust is a right to the beneficial enjoyment of property, either real or personal, the title to which is vested in another. A person in whom the title to trust property is vested is called a trustee. A holder of the right to enjoy such property is called a beneficiary. This separation of the legal title from the beneficial or "equitable" interest is the essential element embodied in the concept of a trust.

If a taxpayer places his domicile in trust, he must ~~establish~~<sup>apparently</sup> a sufficient beneficial interest and (2) a record legal interest in the property in order to be eligible for a personal exemption on that property.

Exemptions from taxation are strictly construed. The Supreme Judicial Court has held that "[a] taxpayer is not entitled to an exemption unless he shows that he comes within either the express words or the necessary implication of some statute conferring this privilege upon him." Animal Rescue League v. Assessors of Bourne, 310 Mass. 330 (1941), 332. Therefore, assessors should not allow exemptions on property held in trust unless the individuals to be benefited clearly satisfy the requirements for eligibility explained in these guidelines.

#### GUIDELINES:

#### I. ELIGIBILITY REQUIREMENTS: LEGAL AND BENEFICIAL INTEREST

The Supreme Judicial Court has held that, for property placed in trust, the ownership requirement for a personal exemption is satisfied only when the applicant possesses both a sufficient beneficial interest and a record legal interest in the subject property. In Kirby v. Board of Assessors of Medford, 350 Mass. 386 (1966), the Court upheld the denial of an elderly exemption applied for under Ch. 59 §5(41) to an applicant who possessed no more than a beneficial interest in his domicile, even though he met all other statutory requirements for the exemption.

THEREFORE, AN APPLICANT FOR A PERSONAL OR RESIDENTIAL EXEMPTION ON A DOMICILE WHICH HAS BEEN PLACED IN TRUST MUST HAVE STATUS BOTH AS (1) A TRUSTEE AND AS (2) A BENEFICIARY OF THAT TRUST.

#### A. TRUSTEE

##### 1. Legal Interest

- a. The trustee is holder of the legal title of any property subject to the trust.

# The Residential Exemption Report

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- b. In order to satisfy the ownership requirement for a personal exemption, an individual who places his domicile in trust (settlor, trustor, etc.) must name himself as a trustee.

THEREFORE, REGARDLESS OF ANY OTHER CIRCUMSTANCES, AN INDIVIDUAL WILL NOT QUALIFY FOR A PERSONAL EXEMPTION UNLESS HE WAS A NAMED TRUSTEE ON JULY FIRST OF THAT FISCAL YEAR OR FOR A RESIDENTIAL EXEMPTION UNLESS HE WAS A NAMED TRUSTEE ON THE PRECEDING JANUARY FIRST.

## 2. Revocable Trust: Legal Title

Assessors should be aware that certain trusts may be altered, amended or revoked. An individual who establishes a trust (settlor) may reserve the right to subsequently alter, amend or revoke that trust.

HOWEVER, A SETTLOR WHO RESERVES THE RIGHT TO ALTER, AMEND OR REVOKE A TRUST DOES NOT THEREBY SATISFY THE OWNERSHIP REQUIREMENT FOR AN EXEMPTION. HE MUST NAME HIMSELF A TRUSTEE TO OBTAIN LEGAL TITLE.

## 3. Multiple Trustees

- a. A interest to fulfill the ownership requirement for an exemption. In Board of Assessors V. Bellissimo, 357 Mass. 198 (1970), the Supreme Judicial Court upheld a personal exemption where a husband and wife were co-trustees. To fulfill the ownership requirement, however, a person is not limited to serving as a co-trustee with a spouse, alone. Kirby requires only that a person have "ownership of a record legal interest."

THEREFORE, A PERSON WHO IS A CO-TRUSTEE HOLDS SUFFICIENT LEGAL INTEREST NO MATTER HOW MANY OTHER PERSONS, FAMILY MEMBERS OR NOT, ARE ALSO CO-TRUSTEES.

- b. Where property upon which an elderly exemption is sought under Ch. 59 §5 Clause 4I, 4IB or 4IC is owned jointly or as a tenant in common with a person not the spouse of the applicant, an exemption is only available if all joint tenants or tenants in common, individually, satisfy the annual income and whole estate requirements set out in the relevant provisions of the statute. In addition, the amount of the applicant's exemption cannot exceed his percentage interest in the property multiplied by \$500, the full exemption amount.

THE SAME RULE APPLIES FOR TRUSTS. Where property is held in trust with multiple trustees other than the applicant's spouse, each to-trustee must, also, satisfy the relevant annual income and whole estate requirements in order for the applicant to be eligible for an elderly exemption. Similarly, the amount of the applicant's exemption cannot exceed his percentage interest in the property multiplied by the full exemption amount. Thus, an applicant who serves as a co-trustee with one other trustee will be said to possess a 50% interest, etc.

- c. Where a property is held in trust with multiple trustees and the exemption sought is other than an elderly exemption under Ch. 59 §5 Clause 4I, 4IB or 4IC, only the applicant, not his co-trustees, must satisfy the eligibility requisites for the particular exemption. In addition, such applicant upon qualifying is eligible for the full exemption amount, unreduced by the percentage of his co-trustees' interest in the subject property.

## 4. Tax Liability for Trust Assets

- a. Pursuant to Ch. 59 §11, taxes on real estate are to be assessed to "the person appearing of record, in the records of the county...where the estate lies, as owner on January first ...."
- b. Realty held in trust should be assessed to holders of legal title as owners. Assessors of Boston v. Neal, 311 Mass. 192 (1942).
- c. Assessors, therefore, should assess property held in trust to the party or parties who were trustees of record of that property on the January first preceding the fiscal year to which the tax relates.

# The Residential Exemption Report

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- d. Where more than one person serves as trustee of real or personal property held in trust, all of the trustees are jointly and severally liable for the tax on that property. The collector may send the tax bill to any or all of such trustees.

## B. BENEFICIARY

1. The beneficiary of a trust is holder of the equitable or beneficial interest in the trust property.
2. To qualify for a personal exemption or a residential exemption on a domicile held in trust, an individual must, in addition to possessing a record legal title, also possess sufficient beneficial interest in that trust.
3. Generally, the possession of this requisite beneficial interest must be apparent from language of the trust instrument or of other recorded documents.
4. If the trust instrument contains a Schedule of Beneficiaries, either referenced within or attached to the instrument, a person seeking a tax exemption on property subject to the instrument must be shown on that schedule to possess a substantial beneficial interest in the trust.
5. The document which evidences possession by an applicant of sufficient beneficial interest must be on record, at the registry of deeds of the county where the subject land is located, on the qualification date for the fiscal year to which the tax relates.
6. There may, however, be instances in which a beneficiary is not expressly named. For example, in a case where a trust instrument stipulated that the net income of the trust was to be disposed as the settlor directed from time to time, and if the settlor made no such direction, that income was to be paid to the settlor, the Appellate Tax Board concluded that the settlor possessed enough of a beneficial interest to satisfy the Kirby requirement.

THEREFORE, IN CASES WHERE A BENEFICIARY IS NOT NAMED, THE REQUISITE OF A SUFFICIENT BENEFICIAL INTEREST MAY BE FULFILLED WHERE A SETTLOR (1) RESERVES THE RIGHT TO DISBURSE THE INCOME OF A TRUST AND (2) SPECIFIES THAT IF NO DIRECTION FOR SUCH DISPERSION IS MADE, THE INCOME INURES TO THE SETTLOR.

## C. MULTIPLE TRUSTS

To fulfill the ownership requirement for property held in trust, an individual must possess both legal title and sufficient beneficial interest in the particular trust in which the domicile is held.

THEREFORE, IF AN INDIVIDUAL ESTABLISHES MORE THAN ONE TRUST, RETAINING LEGAL TITLE TO HIS DOMICILE UNDER ONE TRUST BUT TRANSMITTING THE FULL BENEFICIAL INTEREST IN THAT DOMICILE TO SOME OTHER TRUST, THE INDIVIDUAL DOES NOT QUALIFY FOR A PERSONAL OR A RESIDENTIAL EXEMPTION.

## D. RETENTION OF LIFE ESTATE

In contrast to the creation of a trust, which separates the legal title from the beneficial interest, the creation of a life estate separates the present title and interest from the future title and interest. It divides ownership of the property in time. A life tenant is considered the owner of the property during his lifetime for the purposes of assessing property taxes under Ch. 59 §11, Thayer v. Shorey, 287 mass. 76 (1934), and may qualify for an exemption if he satisfies the applicable requirements.

THEREFORE, IF A SETTLOR CONVEYS HIS DOMICILE INTO A TRUST, RETAINING A LIFE ESTATE IN THE PROPERTY, HE HAS A SUFFICIENT PROPERTY INTEREST TO SATISFY THE OWNERSHIP REQUIREMENT FOR A PERSONAL OR RESIDENTIAL EXEMPTION.

## II. DOCUMENTS NECESSARY TO ESTABLISH ELIGIBILITY

When assessors (1) process an application for a personal exemption or (2) determine eligibility for a residential exemption on property which is held in trust, they should examine the following documents:

### A. TRUST INSTRUMENT

# The Residential Exemption Report

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1. The document which sets out the terms of any particular trust is called the trust instrument or declaration of trust. Where assessors are requested to allow an exemption on property held in trust, they should require a complete copy of the trust instrument, together with all relevant amendments and schedules. **IN ORDER FOR AN EXEMPTION TO BE ALLOWED, ALL PERTINENT TRUST INSTRUMENTS, AMENDMENTS AND SCHEDULES MUST BE ON RECORD, AT THE REGISTRY OF DEEDS OF THE COUNTY WHERE THE SUBJECT LAND IS LOCATED, ON THE QUALIFICATION DATE FOR THE FISCAL YEAR TO WHICH THE TAX RELATES.** Unless the assessors find from the trust instrument, including any schedules or amendments that were on record on the qualification date, that the applicant possesses both status as a trustee and sufficient beneficial interest, they should not allow an exemption.
2. Assessors should read trust instruments to determine whether the trust terms may be changed by a settlor. Where assessors allow an exemption to an individual who has reserved the right to alter, amend or revoke, they should obtain a copy of the trust instrument, effective on July first of each subsequent fiscal year for personal exemptions and on the preceding January first for residential exemptions, to determine whether this right has been exercised in a way which has terminated the individual's eligibility.
3. Since trust instruments are often complex legal documents, assessors should, when necessary, seek the assistance of their municipal lawyer when construing them and when applying these guidelines.

## B. DEEDS; ETC.

When an individual seeks an exemption on trust property, the assessors should require a copy of the deed, or some other document, which establishes that the property has been conveyed to the trust.

## III. EXAMPLES

The following examples illustrate the requirements explained in these guidelines.

**EXAMPLE NO. 1.** An elderly husband and wife place their home in trust, retaining to themselves full beneficial interest in that home, but making their children trustees under the trust instrument.

**RESULT:** This couple does not satisfy the ownership requirement for an exemption. To satisfy this requirement, the couple would have to possess both a sufficient beneficial interest and a record legal interest in the subject property. Here, the husband and wife clearly possess a sufficient beneficial interest, but they do not possess any legal interest. To possess a legal interest in the assets of a trust, a person must be a named trustee of that trust. See Section I-A-1-b.

**EXAMPLE NO. 2.** A widow places her home in trust, dividing the beneficial interest equally between herself and an adult son. She names herself a co-trustee with her two sisters and with two other friends. Subsequently, she applies for an elderly exemption under Ch. 59 §5, Clause 41C.

**RESULT:** This woman satisfies the ownership requirement for an exemption. She possesses sufficient beneficial interest, having divided that interest equally between herself and an adult son. Since she is a co-trustee, she possesses the requisite legal interest. However, even though she satisfies the ownership requirement, she qualifies for an elderly exemption under Clause 41C only if each of the individuals she named as a co-trustee satisfies the annual income and whole estate requirements set out in the statute. See Section I-A-3-b. In any case, the maximum amount to which she could be eligible is \$100, her 20% legal interest multiplied by \$500, the full exemption amount. Again, see Section I-A-3-b.

**EXAMPLE NO. 3.** A widower places his home in trust, naming himself sole trustee. In addition, he creates a second trust, and he conveys the full beneficial interest in his home to that second trust.

**RESULT:** This widower does not satisfy the ownership requirement. Having named himself sole trustee of the first trust, he clearly possesses the requisite legal title to his home. However, having conveyed the full beneficial interest in that home to a second trust, he does not, himself, possess the requisite beneficial interest for purposes of a local property tax exemption. See Section I-C.

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The Division of Local Services is responsible for oversight of and assistance to cities and towns in achieving equitable property taxation and efficient fiscal management.

The Division regularly publishes IGRs (informational Guideline Releases detailing legal and administrative procedures) and the BULLETIN (announcements and useful information) for local officials and others interested in municipal finance.

P.O. Box 9655, Boston, MA 02114-9655 (617) 626-2300

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# The Residential Exemption Report

Addendum 2010 Recapitulation Pages 1-4  
State Tax Form 31C

appendix D

**THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
TAX RATE RECAPITULATION  
OF  
SUDBURY  
City / Town / District**

FISCAL 2010

**I. TAX RATE SUMMARY**

la. Total amount to be raised (from IIe) \$ 81,095,370.73  
 lb. Total estimated receipts and other revenue sources (from IIIe) 15,566,217.94  
 lc. Tax levy (Ia minus Ib) \$ 65,529,152.79  
 ld. Distribution of Tax Rates and levies

CLASS	(b) Levy percentage (from LA - 5)	(c) IC above times each percent in col (b)	(d) Valuation by class (from LA - 5)	(e) Tax Rates (c) / (d) x 1000	(f) Levy by class (d) x (e) / 1000
Residential	91.2744%	59,811,341.03	3,719,642,603	16.08	59,811,853.06
Net of Exempt					0.00
Open Space	0.0000%	0.00	0		0.00
Commercial	4.8197%	3,158,308.58	156,881,214	20.13	3,158,018.84
Net of Exempt					0.00
Industrial	1.9754%	1,294,462.88	64,300,000	20.13	1,294,359.00
<b>SUBTOTAL</b>	98.0695%		3,940,823,817		64,264,230.90
Personal	1.9305%	1,265,040.29	62,837,650	20.13	1,264,921.89
<b>TOTAL</b>	100.0000%		4,003,661,467		65,529,152.79

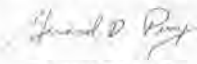
Board of Assessors of SUDBURY MUST EQUAL IC  
 City / Town / District

**NOTE : The information was Approved on 01/27/2010.**

<u>Trevor A. Haydon, Assessor, Sudbury, 978-639-3393</u>	<u>1/21/2010 2:37 PM</u>
<u>Liam J. Vesely, Board of Assessors, Sudbury, 978-639-3381</u>	<u>1/22/2010 9:30 AM</u>
Assessor	Date

**Do Not Write Below This Line -- For Department of Revenue Use Only**

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<b>Reviewed By</b>	<b>Andrew Nelson</b>
<b>Date :</b>	<b>27-JAN-10</b>
<b>Approved :</b>	<b>Dennis Mountain</b>
<b>Director of Accounts</b>	 (Gerard D. Perry)



# The Residential Exemption Report

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## *Town of Brookline Board of Assessors*

333 Washington Street  
Brookline, MA 02445  
(617) 730-2060  
FAX (617) 739-7572  
E-mail: assessors@town.brookline.ma.us

November 3, 2004

David Burgess, MAA  
Principal Assessor  
Town Hall  
4 Boltwood Ave  
Amherst, MA. 01002

RE: Residential Exemption

Dear Dave:

The Town of Brookline instituted the "Residential Exemption" MGLc 59 Section 5, clause 5C in 1982. Briefly you must own and occupy the property as your principal residence as of January 1 in each fiscal year. If adopted you must review all residential property as to its ownership as of January 1 in each fiscal year. The property must be the taxpayers "principal place of residence". Therefore, in year one documents must be produced to show that the property meets that requirement which includes the following:

- 1) State and federal income tax form. The top portion preferably with the mailing label.
- 2) Motor vehicle excise registration
- 3) Driver's license
- 4) Utility bills as of January 1.
- 5) Evidence of voter registration.

Not every one will have all of these documents. If a person pays tax from the address it is usually a good indication that this is their principle residence, however, some people have a few residences and pick the one where it is more advantageous to pay tax. At that point motor vehicle and voter registration becomes important. In college communities (we have several universities) it is problematic because sometimes parents buy condominium units for their children to live in, to take advantage of tax deductions while the children are in school. If the parents own the property and don't live in it, obviously they don't qualify. However, after learning of the Residential Exemption (in Brookline it was \$139,870 off the value in FY 2004) the parents will transfer the property to the child for the remainder of the school term. Generally these children don't pay tax because they are claimed on the parents return, so they submit car registration and voter's registration. Sometimes they don't vote or drive. Reviewing these is a

# The Residential Exemption Report

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problem. Some will get the exemption some won't. This exemption unlike other statutory exemptions has many gray areas, which brings me to properties held in trust.

With properties held in trust the person must be the Trustee, and have "sufficient beneficial interest" Court cases on this are vague. As far as the Department of Revenue is concerned a person cannot be the trustee of the main trust and have another trust hold the beneficial interest even if the trustee of the second trust is the same person and the owner occupant. There has been no case law on this. Every community handles this differently. It would take another page for me to describe the review criteria for these documents.

This is just the first year. Every year when a property changes hands, you must mail new Residential Exemption applications to the new owners. If the property doesn't change hands or isn't put into a Trust or doesn't change its mailing address the Residential Exemption stays in place from year to year. However, we have about 2,000 sales a year and we must send out 2,000 new applications a year to ensure that the new owners actually qualify.

Part of the reason this is necessary is because we have 8,000 condominiums. These have the lowest sales prices. Since the Residential Exemption takes into consideration the value of the entire residential class, the lowest valued properties receive the greatest benefit. The very high end properties receive no benefit from this at all. Therefore, we have people "watching" who gets the exemption and neighbors are quite happy to turn other neighbors in. If the Assessors aren't diligent in qualifying new people taxpayers become very upset with the process.

We have 14,000+ residential parcels and three people who work on this. It is incredibly time consuming.

If you need any other information, just call.

Very truly yours,

Linda MacDonald  
Assistant Assessor

# The Residential Exemption Report

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## **Massachusetts General Laws Chapter 59 Sec. 5C**

### *The Residential Exemption:*

*Section 5C. With respect to each parcel of real property classified as Class One, residential, in each city or town certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the board of selectmen or mayor, with the approval of the city council, as the case may be, there shall be an exemption equal to not more than twenty per cent of the average assessed value of all Class One, residential, parcels within such city or town; provided, however, that such an exemption shall be applied only to the principal residence of a taxpayer as used by the taxpayer for income tax purposes. This exemption shall be in addition to any exemptions allowable under section five; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions be reduced below ten per cent of its full and fair cash valuation, except through the applicability of section eight A of chapter fifty-eight and of clause Eighteenth of section five. Where, under the provisions of section five, the exemption is based upon an amount of tax rather than on valuation, the reduction of taxable valuation for purposes of the preceding sentence shall be computed by dividing the said amount of tax by the residential class tax rate of the city or town and multiplying the result by one thousand dollars. For purposes of this paragraph, "parcel" shall mean a unit of real property as defined by the assessors in accordance with the deed for such property and shall include a condominium unit.*

*In those cities and towns in which an exemption is made available hereunder, a taxpayer aggrieved by the failure to receive such residential exemption may apply for such residential exemption to the assessors, in writing, on a form approved by the commissioner within three months after the date on which the bill or notice of assessment was sent.*

*A timely application filed hereunder shall, for the purposes of this chapter, be treated as a timely filed application pursuant to section fifty-nine.*

*For purposes of this section, with respect to real property owned by a cooperative corporation, as defined in section 4 of chapter 157B, that portion which is occupied by a member pursuant to a proprietary lease as such member's domicile and is used as such member's principal residence for income tax purposes shall be deemed to be real property owned by such member for purposes of this section, provided that the portion of the real estate is represented by the member's share or shares of stock in the cooperative corporation and the percentage of such portion to the whole is the percentage of such member's shares in the cooperative corporation to the total outstanding stock of the corporation, including shares owned by the corporation. Such portion of such real property shall be eligible for exemption from taxation pursuant to this section if such member meets all requirements for such exemption. Any exemption so provided shall reduce the taxable valuation of the real property owned by the cooperative corporation; provided, however, that the reduction in taxes realized thereby shall be credited by the cooperative corporation against the amount of such taxes otherwise payable by or chargeable to such member. Nothing in this paragraph shall be construed to affect the tax status of any manufactured home or mobile home under this chapter, but shall apply to the land on which such manufactured home or mobile home is located if all other requirements of this paragraph are met. This paragraph shall take effect in a city or town upon its acceptance by the city or town.*