



**FISCAL YEAR 2020  
CLASSIFICATION HEARING**

**November 19, 2019**

*Board of Selectmen*  
*Daniel E. Carty, Chair*  
*Patricia Brown, Vice Chair*  
*Janie W. Dretler*  
*Jennifer Roberts*  
*William Schineller*

*Board of Assessors*  
*Liam J. Vesely, Chair*  
*Joshua M. Fox*  
*Trevor Haydon*  
*Consulting Assessor, Harald Scheid*  
*Director of Assessing, Cynthia Gerry*

## **Introduction**

Each year, prior to the mailing of 3<sup>rd</sup> quarter tax bills, a public hearing is held by the Board of Selectmen in conjunction with the Board of Assessors. The public hearing known as the Classification Hearing provides an opportunity for the Selectmen to discuss and decide on the distribution of the tax burden to be allocated among the major classes of property. Chapter 40, Section 56 of the Massachusetts General Laws, dictates the hearing procedure.

Prior to the Hearing, all properties must be assessed at their full and fair cash value as of the January 1<sup>st</sup> assessment date. The Fiscal Year 2020 assessment date is January 1, 2019.

The steps necessary to complete the Classification Hearing and Tax Rate Setting process are defined below:

### **Pre-classification Hearing Steps**

- Step 1: Determination of the property tax levy (Budget Process)
- Step 2: Determine assessed valuations (Assessors)
- Step 3: Tabulate assessed valuations by class (Assessors)
- Step 4: Obtain DOR value certification (Assessors)
- Step 5: Obtain certification of new growth revenues (Assessors)

### **Classification Hearing Steps**

- Step 6: Classification hearing presentation (Assessors & Selectmen)
- Step 7: Review and discuss tax shift options (Selectmen)
- Step 8: Voting a tax shift factor (Selectmen)

### **Post Classification Hearing Steps**

- Step 9: Sign the LA-5 Classification Form (Selectmen)
- Step 10: Send annual recap to DOR for tax rate approval (Assessors)
- Step 11: Obtain DOR approval of tax rates (DOR)

## **Terminology**

The following represents frequently used tax discussion terminology:

Levy: The tax levy (or levy) is the amount of property taxes to be raised. The levy amount is determined by the budget process. The total amount of the approved budget less revenues from other sources like motor vehicle excise, municipal fees, and state aid is the amount to be raised through property taxation. In Sudbury, the levy to be raised is: \$89,733,775. This represents a 3.88% increase over last year's levy of \$86,386,168.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the town and represent the maximum property tax revenues that can be raised under Proposition 2 ½. Based on the Sudbury's total valuation of \$4,773,073,156 the town cannot levy taxes in excess of \$119,326,829.

New Growth Revenue: Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions, and personal property. The Department of Revenue has certified Sudbury's new growth for fiscal year 2020 at \$963,941.

Levy Limit: Also referred to as the "maximum allowable levy", the levy limit is calculated by adding 2.5 percent of the previous year's levy limit, plus new growth revenue, and proposition 2 ½ overrides, capital expenditure exclusions, and debt exclusions. The certified maximum allowable levy for fiscal year 2020 is \$89,741,649.

Excess Levy Capacity: Excess levy capacity is the difference between the levy and the levy limit. Sudbury's excess levy capacity is an estimated \$7,874.

**The Fiscal Year 2020 Levy Limit and Amount to be Raised**

The following is a calculation of Sudbury's estimated levy for fiscal year 2020.

Fiscal year 2019 levy limit	\$84,710,256
Levy increase allowed under Prop. 2 ½	2,117,756
New growth revenue	963,941
Debt excluded under Prop. 2 ½	1,949,696
Proposition 21/2 Override	0
Fiscal year 2020 levy limit	89,741,649
<b>Levy to be raised (rounded by tax rate)</b>	<b>\$89,733,775</b>
<b>Excess levy capacity</b>	<b>\$7,874</b>

## **Fiscal Year 2020 Valuations by Class Before Tax Shift**

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	4,451,809,500	93.2692%	93.2692%
Commercial	179,424,076	3.7591%	
Industrial	30,823,000	0.6458%	6.7308%
Personal Property	111,016,580	2.3259%	
TOTAL	4,773,073,156	100.0000%	

### **Shifting the Tax Burden**

Municipalities with a large commercial/industrial tax base often see fit to shift the tax burden to help maintain lower residential taxes. Sudbury, though having a relative small commercial tax base, has adopted a split tax rate since 1981.

The goal of recent classification hearings has been to adopt residential and commercial tax rates that yield relatively uniform tax increases in both sectors. Though the commercial, industrial, and personal property (CIP) sector makes up approximately 7 percent of the taxable valuation base, adoption of the classification shift factor (see below) has resulted in this sector paying about 9 percent of Sudbury's property taxes.

With most residential and commercial/industrial class property valuations unchanged from the prior fiscal year, a CIP shift factor of 1.33 will make each major property class responsible for approximately the same tax burden as last year.

The Board of Assessors point out that a CIP shift factor of 1.33 with a corresponding residential shift factor of 0.9762 would result in a "relatively" uniform tax rate increase in both sectors.

### **Tax Rates and Options**

Sudbury's uniform, single tax rate without applying shift factors is \$18.80 per thousand.

There are any number of tax rate options the Board of Selectmen may choose. Several to be considered are shown on the following table. Additional options may be found on the Tax Rate Options table (following Page 4).

Option	CIP Shift	Res. Shift	CIP Tax Rate	Res. Tax Rate
Single Tax Rate	1.0000	1.000000	18.80	18.80
10% Shift	1.1000	0.9928	20.68	18.66
20% Shift	1.2000	0.9856	22.56	18.53
30% Shift	1.3000	0.9784	24.44	18.39
33% Shift (same % burden as last year)	1.3300	0.9762	25.00	18.35
40% Shift	1.4000	0.9711	26.32	18.26
50% Shift (maximum allowed)	1.5000	0.9639	28.20	18.12

Based on the balanced CIP/Res. increase scenario above, the Board of Assessors has calculated the following tax rates:

<u>Property Class</u>	<u>FY2019</u>	<u>FY2020</u>
Residential	17.91	18.35
Commercial	24.30	25.00
Industrial	24.30	25.00
Personal Property	24.30	25.00

Note that the fiscal year 2020 tax rates are an estimate and may change upon Department of Revenue review. Also, the Sudbury's Means Tested Senior Exemption will add an additional 9-10 cents to the residential tax rate.

### **Tax Impacts**

With a few exceptions, fiscal year 2020 residential valuations have remained unchanged from last year.

Assuming 1.33 shift the average residential tax bill calculation will change as follows:

Note-the following estimate reflects an additional residential tax rate increase of approximately 9-10 cents to fund the Sudbury Means Tested Exemption Program.

FY2019 Average Single Family Valuation:	\$745,700
Taxes at \$17.91 per thousand	\$13,355
FY 2020 Average Single Family Valuation:	\$746,260
Taxes at \$18.45 per thousand	\$13,768
Average Tax Increase	\$413
Percent Increase	3.09%

# Tax Rate Options

Town of Sudbury, MA  
Fiscal Year 2020

CLASS	VALUE	%	R & O %	CIP %
Residential	4,451,809,500	93.2692	93.2692	
Open Space	0	0.0000	93.2692	
Commercial	179,424,076	3.7591		
Industrial	30,823,000	0.6458		
Personal Property	111,016,580	2.3259		
Total	4,773,073,156	100.0000		

## ESTIMATED LEVY

Levy	89,733,775
Single TaxRate	18.80

Shift Factors	Share Percentages										Levy Amounts					Tax Rates				
	CIP Shift	Res Factor	Res SP	Comm SP	Ind SP	PP SP	Total SP	Res LA	Comm LA	Ind LA	PP LA	Total LA	Res	Com	Ind	PP				
1.0000	1.0000	93.2692	3.7591	0.6458	2.3259	100.0000	83.693,974	3,373,182	579,501	2,087,118	89,733,775	18.80	18.80	18.80	18.80					
1.0100	0.9993	93.2019	3.7967	0.6523	2.3492	100.0000	83,633,577	3,406,914	585,296	2,107,989	89,733,775	18.79	18.99	18.99	18.99					
1.0200	0.9986	93.1346	3.8343	0.6587	2.3724	100.0000	83,573,179	3,440,646	591,091	2,128,860	89,733,776	18.77	19.18	19.18	19.18					
1.0300	0.9978	93.0673	3.8719	0.6652	2.3957	100.0000	83,512,781	3,474,378	596,886	2,149,731	89,733,776	18.76	19.36	19.36	19.36					
1.0400	0.9971	93.0000	3.9095	0.6716	2.4189	100.0000	83,452,384	3,508,110	602,681	2,170,603	89,733,777	18.75	19.55	19.55	19.55					
1.0500	0.9964	92.9327	3.9471	0.6781	2.4422	100.0000	83,391,986	3,541,841	608,476	2,191,474	89,733,777	18.73	19.74	19.74	19.74					
1.0600	0.9957	92.8654	3.9846	0.6845	2.4655	100.0000	83,331,589	3,575,573	614,271	2,212,345	89,733,778	18.72	19.93	19.93	19.93					
1.0700	0.9949	92.7980	4.0222	0.6910	2.4887	100.0000	83,271,191	3,609,305	620,066	2,233,216	89,733,778	18.71	20.12	20.12	20.12					
1.0800	0.9942	92.7307	4.0598	0.6975	2.5120	100.0000	83,210,794	3,643,037	625,861	2,254,087	89,733,779	18.69	20.30	20.30	20.30					
1.0900	0.9935	92.6634	4.0974	0.7039	2.5352	100.0000	83,150,396	3,676,769	631,656	2,274,958	89,733,779	18.68	20.49	20.49	20.49					
1.1000	0.9928	92.5961	4.1350	0.7104	2.5585	100.0000	83,089,999	3,710,501	637,451	2,295,830	89,733,780	18.66	20.68	20.68	20.68					
1.1100	0.9921	92.5288	4.1726	0.7168	2.5817	100.0000	83,029,601	3,744,232	643,246	2,316,701	89,733,780	18.65	20.87	20.87	20.87					
1.1200	0.9913	92.4615	4.2102	0.7233	2.6050	100.0000	82,969,204	3,777,964	649,041	2,337,572	89,733,781	18.64	21.06	21.06	21.06					
1.1300	0.9906	92.3942	4.2478	0.7298	2.6283	100.0000	82,908,806	3,811,696	654,836	2,358,443	89,733,781	18.62	21.24	21.24	21.24					
1.1400	0.9899	92.3269	4.2854	0.7362	2.6515	100.0000	82,848,409	3,845,428	660,631	2,379,314	89,733,782	18.61	21.43	21.43	21.43					
1.1500	0.9892	92.2596	4.3230	0.7427	2.6748	100.0000	82,788,011	3,879,160	666,426	2,400,186	89,733,782	18.60	21.62	21.62	21.62					
1.1600	0.9885	92.1923	4.3606	0.7491	2.6980	100.0000	82,727,614	3,912,892	672,221	2,421,057	89,733,783	18.58	21.81	21.81	21.81					
1.1700	0.9877	92.1250	4.3981	0.7556	2.7213	100.0000	82,667,216	3,946,623	678,016	2,441,928	89,733,783	18.57	22.00	22.00	22.00					
1.1800	0.9870	92.0577	4.4357	0.7620	2.7446	100.0000	82,606,818	3,980,355	683,811	2,462,799	89,733,784	18.56	22.18	22.18	22.18					
1.1900	0.9863	91.9904	4.4733	0.7685	2.7678	100.0000	82,546,421	4,014,087	689,606	2,483,670	89,733,784	18.54	22.37	22.37	22.37					
1.2000	0.9856	91.9231	4.5109	0.7750	2.7911	100.0000	82,486,023	4,047,819	695,401	2,504,541	89,733,784	18.53	22.56	22.56	22.56					
1.2100	0.9848	91.8557	4.5485	0.7814	2.8143	100.0000	82,425,626	4,081,551	701,196	2,525,413	89,733,785	18.52	22.75	22.75	22.75					
1.2200	0.9841	91.7884	4.5861	0.7879	2.8376	100.0000	82,365,228	4,115,282	706,991	2,546,284	89,733,785	18.50	22.94	22.94	22.94					
1.2300	0.9834	91.7211	4.6237	0.7943	2.8609	100.0000	82,304,831	4,149,014	712,786	2,567,155	89,733,786	18.49	23.12	23.12	23.12					
1.2400	0.9827	91.6538	4.6613	0.8008	2.8841	100.0000	82,244,433	4,182,746	718,581	2,588,026	89,733,786	18.47	23.31	23.31	23.31					
1.2500	0.9820	91.5865	4.6989	0.8073	2.9074	100.0000	82,184,036	4,216,478	724,376	2,608,897	89,733,787	18.46	23.50	23.50	23.50					

Town of Sudbury  
Fiscal Year 2020 Tax Rate Options

Shift Factors	Share Percentages					Levy Amounts					Tax Rates			
	CIP Shift	Res Factor	Res SP	Comm SP	Ind SP	Res LA	Comm LA	Ind LA	PP LA	Total LA	Res	Com	Ind	PP
1.2600	0.9812	91.5192	4.7365	0.8137	2.9306	82,123,638	4,250,210	730,171	2,629,769	89,733,787	18.45	23.69	23.69	23.69
1.2700	0.9805	91.4519	4.7741	0.8202	2.9539	82,063,241	4,283,942	735,966	2,650,640	89,733,788	18.43	23.88	23.88	23.88
1.2800	0.9798	91.3846	4.8116	0.8266	2.9772	82,002,843	4,317,673	741,761	2,671,511	89,733,788	18.42	24.06	24.06	24.06
1.2900	0.9791	91.3173	4.8492	0.8331	3.0004	81,942,446	4,351,405	747,556	2,692,382	89,733,789	18.41	24.25	24.25	24.25
1.3000	0.9784	91.2500	4.8868	0.8395	3.0237	81,882,048	4,385,137	753,351	2,713,253	89,733,789	18.39	24.44	24.44	24.44
1.3100	0.9776	91.1827	4.9244	0.8460	3.0469	81,821,650	4,418,869	759,146	2,734,124	89,733,790	18.38	24.63	24.63	24.63
1.3200	0.9769	91.1154	4.9620	0.8525	3.0702	81,761,253	4,452,601	764,941	2,754,996	89,733,790	18.37	24.82	24.82	24.82
1.3300	0.9762	91.0481	4.9996	0.8589	3.0934	81,700,855	4,486,333	770,736	2,775,867	89,733,791	18.35	25.00	25.00	25.00
1.3400	0.9755	90.9807	5.0372	0.8654	3.1167	81,640,458	4,520,064	776,531	2,796,738	89,733,791	18.34	25.19	25.19	25.19
1.3500	0.9747	90.9134	5.0748	0.8718	3.1400	81,580,060	4,553,796	782,326	2,817,609	89,733,792	18.33	25.38	25.38	25.38
1.3600	0.9740	90.8461	5.1124	0.8783	3.1632	81,519,663	4,587,528	788,121	2,838,480	89,733,792	18.31	25.57	25.57	25.57
1.3700	0.9733	90.7788	5.1500	0.8847	3.1865	81,459,265	4,621,260	793,916	2,859,351	89,733,793	18.30	25.76	25.76	25.76
1.3800	0.9726	90.7115	5.1876	0.8912	3.2097	81,398,868	4,654,992	799,711	2,880,223	89,733,793	18.28	25.94	25.94	25.94
1.3900	0.9719	90.6442	5.2251	0.8977	3.2330	81,338,470	4,688,723	805,506	2,901,094	89,733,793	18.27	26.13	26.13	26.13
1.4000	0.9711	90.5769	5.2627	0.9041	3.2563	81,278,073	4,722,455	811,301	2,921,965	89,733,794	18.26	26.32	26.32	26.32
1.4100	0.9704	90.5096	5.3003	0.9106	3.2795	81,217,675	4,756,187	817,096	2,942,836	89,733,794	18.24	26.51	26.51	26.51
1.4200	0.9697	90.4423	5.3379	0.9170	3.3028	81,157,278	4,789,919	822,891	2,963,707	89,733,795	18.23	26.70	26.70	26.70
1.4300	0.9690	90.3750	5.3755	0.9235	3.3260	81,096,880	4,823,651	828,686	2,984,579	89,733,795	18.22	26.88	26.88	26.88
1.4400	0.9682	90.3077	5.4131	0.9300	3.3493	81,036,483	4,857,383	834,481	3,005,450	89,733,796	18.20	27.07	27.07	27.07
1.4500	0.9675	90.2404	5.4507	0.9364	3.3726	80,976,085	4,891,114	840,276	3,026,321	89,733,796	18.19	27.26	27.26	27.26
1.4600	0.9668	90.1731	5.4883	0.9429	3.3958	80,915,687	4,924,846	846,071	3,047,192	89,733,797	18.18	27.45	27.45	27.45
1.4700	0.9661	90.1057	5.5259	0.9493	3.4191	80,855,290	4,958,578	851,866	3,068,063	89,733,797	18.16	27.64	27.64	27.64
1.4800	0.9654	90.0384	5.5635	0.9558	3.4423	80,794,892	4,992,310	857,661	3,088,934	89,733,798	18.15	27.82	27.82	27.82
1.4900	0.9646	89.9711	5.6011	0.9622	3.4656	80,734,495	5,026,042	863,456	3,109,806	89,733,798	18.14	28.01	28.01	28.01
1.5000	0.9639	89.9038	5.6387	0.9687	3.4889	80,674,097	5,059,774	869,251	3,130,677	89,733,799	18.12	28.20	28.20	28.20

## Sudbury's Tax Shift Votes (17 Year History)

Fiscal Year	CIP Value	Total Value	R/O % of Total Value	CIP % of Total Value	Lowest Residential Factor Allowed	Max CIP Shift Allowed	Residential Factor Selected	CIP Shift
2003	178,344,978	2,839,782,978	93.7198	6.2802	0.966495	1.500000	0.979897	1.30000
2004	200,238,034	3,545,996,135	94.3531	5.6469	0.970075	1.750000	0.970075	1.50001
2005	211,105,466	3,600,973,272	94.1376	5.8624	0.968863	1.500000	0.970108	1.48000
2006	222,613,431	3,956,930,561	94.3741	5.6259	0.955291	1.750000	0.967213	1.55000
2007	241,153,003	4,231,531,337	94.3011	5.6989	0.954675	1.750000	0.969783	1.50001
2008	270,083,278	4,162,959,799	93.5122	6.4878	0.965310	1.500000	0.981268	1.26999
2009	278,781,214	4,064,434,979	93.1410	6.8590	0.963179	1.500000	0.982326	1.24000
2010	284,018,864	4,003,661,467	92.9060	7.0940	0.961822	1.500000	0.982438	1.23000
2011	274,711,172	3,874,281,828	92.9094	7.0906	0.961841	1.500000	0.978631	1.28000
2012	271,556,419	3,838,335,540	92.9251	7.0749	0.961932	1.500000	0.978938	1.27664
2013	273,337,212	3,864,083,107	92.9262	7.0738	0.961939	1.500000	0.978714	1.27963
2014	265,094,234	3,960,584,137	93.3067	6.6933	0.964132	1.500000	0.974606	1.35400
2015	263,058,002	4,088,915,905	93.5666	6.4334	0.965621	1.500000	0.973663	1.38304
2016	277,216,608	4,230,884,307	93.4478	6.5522	0.964942	1.500000	0.973356	1.38000
2017	280,876,280	4,408,953,695	93.6294	6.3706	0.965980	1.500000	0.974145	1.37999
2018	308,262,538	4,560,675,215	93.2409	6.7591	0.963754	1.500000	0.976078	1.33000
2019	331,554,958	4,728,363,583	92.9880	7.0120	0.962296	1.500000	0.975100	1.33021
2020								

### Voting a Tax Shift Factor

The Sudbury Board of Selectmen votes in accordance with M.G.L., Ch. 40, Sec. 56, as amended, the percentage of local tax levy which will be borne by each class of real and personal property, relative to setting the Fiscal Year 2020 tax rates and sets the Residential Factor at **0.9762, (or other selected Factor)** with a corresponding CIP shift of **1.33 (or other corresponding CIP shift)**, pending certification of the Town's annual tax recap by the Massachusetts Department of Revenue.



## **Optional Exemptions:**

### **Residential Exemption:**

The Residential Exemption conferred pursuant to M.G.L. Chapter 59 Section 5C is a local option available to all communities. The intent of this exemption is to promote owner occupancy. Adopting the Residential Exemption would allow the Selectmen to exempt from qualified residential properties a flat percentage of the average assessed value for Class I (Residential) properties. The exemption can be as high as thirty-five (35%) percent of the average assessed value for the residential property class. If adopted a flat, uniform valuation reduction is applied to all qualifying owner-occupied residential home valuations. The tax levy in the community does not change based on adoption of this exemption. However, to compensate for the loss in residential valuation associated with this exemption, the residential tax rate increases. The exemption will reduce property taxes on the lower valued owner occupied residential properties, while increasing property taxes on higher valued properties, and those residential properties, which are not owner-occupied.

In FY 2019, sixteen Massachusetts cities and towns adopted the Residential Exemption. Historically, the exemption has been adopted in those communities with a high percentage of apartments and other investment property or seasonal homes. In general terms, the exemption shifts real estate taxes onto Class I properties that are not occupied as the owner's principal residence and those which may be held for investment.

<b>Residential Exemption Communities</b>	
Boston	35%
Somerville	35%
Waltham	35%
Cambridge	30%
Chelsea	30%
Malden	30%
Everett	25%
Nantucket	25%
Provincetown	25%
Watertown	23%
Brookline	21%
Barnstable	20%
Truro	20%
Wellfleet	20%
Tisbury	18%
Somerset	10%

Sudbury's fiscal year 2020 data suggests close to 90% of the residential single family and condominium property owners could potentially meet the basic criteria for exemption this year.

Although many owner occupied properties could receive a valuation exemption of up to \$246,000, the tax rate for the entire residential class would increase dramatically. One scenario suggests a residential tax rate of \$26.81. As a result, while approximately 3,750 residential properties would receive a tax break under the Residential Exemption option about 2,529 residential properties, including all residential vacant land parcels, all non-owner occupied residential properties, and all properties assessed over the breakeven point of **\$780,700** will be subject to a higher tax bill than without the exemption.

The table on the next page shows a possible tax impact scenario if the maximum Residential exemption percentage of 35% is adopted in Sudbury.

*Please note; the Res tax is calculated based on last year's tax shift for the purpose of illustration only. In addition, the tax rate increase associated with the Sudbury Senior Means Exemption Program is not included in this scenario.*

Assessed value	Res tax 18.35	Adjusted tax/adjustment 26.81	Tax \$ impact of Residential Exemption
400,500	7,349	4,135	-3,214
500,000	9,175	6,803	-2,372
600,100	11,012	9,486	-1,525
700,000	12,845	12,165	-680
780,700	14,326	14,328	2
850,000	15,598	16,186	589
1,000,400	18,357	20,218	1,861
1,200,100	22,022	25,572	3,551
1,300,000	23,855	28,251	4,396
1,400,400	25,697	30,942	5,245
1,505,400	27,624	33,758	6,133
1,603,100	29,417	36,377	6,960
1,714,100	31,454	39,353	7,899
1,825,200	33,492	42,331	8,839
1,902,600	34,913	44,406	9,494
2,043,900	37,506	48,195	10,689
3,000,000	55,050	73,828	18,778

### **Small Commercial Exemption**

An exemption of up to 10% of the property valuation can be granted to commercial properties (not industrial) having one or more businesses employing 10 or fewer employees. Implementing this exemption requires increasing the CIP tax rate to offset lost revenues from qualifying properties.

For fiscal year 2020, 34 properties in the Town have been identified as meeting qualifying standards. Sudbury's nominal commercial class for fiscal year 2020 hosts 188 accounts. In addition, there are 8-mixed use/part commercial, 42-chapter land, and 19 industrial properties all of which would be subject to an increased tax rate generated by the adoption of a small commercial exemption. The class 3 value reduction for those qualifying properties if a 10% small commercial exemption is adopted is \$1,141,400 approximated with a corresponding tax rate increase of fourteen cents (for purposes of illustration we used a factor of 1.33 in our analysis). The average tax savings for the 34 accounts is approximately \$843/ account.

#### Considerations:

- a) The qualifying 34 taxpayers will receive a measurable tax benefit. Other small businesses (not qualifying) will bear the increased burden along with larger commercial and industrial properties.
- b) Twenty-three of the qualifying 34 accounts are commercial condominiums. However, within the same condominium complexes 64 units will not make the cut for different reasons. The properties are otherwise quite similar in size, use, and assessment.
- c) Many of the small businesses appearing on the Department of Unemployment Assistance (DET) list as qualifying will not benefit from the exemption, as they are tenants in larger commercial properties with assessed values exceeding the allowable \$1,000,000 cap.

Based on the foregoing, we can conclude the following:

- The vast majority of Sudbury's small businesses will not stand to benefit by adoption of this exemption, as they are tenants in strip malls, and other large commercial buildings.
- They in fact will be penalized by the increased tax rate. Mill Village is a good example of this. The property consists of 30+ small businesses.

Another example are the tenants at the Cummings building on Rte. 117 as well as the tenants in the various strip malls located on Route 20.

- As evidenced by the small number of eligible accounts this exemption program will provide tax relief to very few of Sudbury’s small business properties. The majority of all small businesses will not benefit from the exemption.
- 

**Small Commercial Exemption  
Communities**

Auburn	10%
Avon	10%
Bellingham	10%
Berlin	10%
Braintree	10%
Chelmsford	10%
Dartmouth	10%
Erving	10%
New Ashford	10%
Seekonk	10%
Swampscott	10%
Westford	10%
Wrentham	10%
Somerset	10%
North Attleborough	5%

**Open Space Exemption**

In addition to the above-mentioned options, there is one more option, which must be reviewed, although not applicable in Sudbury at this time. It is known as the Open Space Exemption.

In order for a municipality to utilize an open space exemption, the community must first have adopted the Open Space Class. This is an additional Classification created for some vacant land (Class 2). The definition of open space in this context is: *land which is not otherwise classified and which is not taxable under provisions of chapters 61, 61A or 61B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public.*

The Open Space Class was developed to provide a tax break to land owners, as incentive to preserve open land or at least slow development. Adopting this Classification would result in a discount of the residential tax obligation of up to 25% for those parcels classified as open space. Any tax savings awarded to open space property owners will be subsidized by all other residential property owners. Bedford is the one community in the Commonwealth known to have adopted this option. Sudbury currently has over 75 parcels of land enrolled in the various chapter land programs. Accordingly, chapter land enrollment carries certain program withdrawal restrictions; including offering the municipality a right of first refusal to purchase, along with certain recapture tax penalties. If a community were to adopt this open space classification, any property classified as open space (not enrolled in chapter land programs) would receive the benefit of the favorable tax structure without any of the restrictions associated with the existing chapter land programs. Implementation of the Classification takes up to a year following written request of the Selectmen.

## VOTING THE EXEMPTIONS

The Selectmen cannot consider an **Open Space Discount** as the Town does not utilize the Class 2 Open Space Option, therefore the Open Space Discount cannot be considered and a vote is not justified.

### Example Vote(s) on Residential and/or Small Commercial Exemption Options:

1. This language including negative and affirmative options speaks to the Residential Exemption only:

**Motion:** [Not] to adopt a Residential Exemption for Fiscal Year 2020, or

**Motion:** [To] adopt a Residential Exemption for Fiscal Year 2020 of \_\_\_\_% of the **Average of all Residential Value** for those eligible residential properties, which will shift the burden within the Residential Class.

2. This language including negative and affirmative options speaks to the Small Commercial only:

**Motion:** [Not] adopt the Small Commercial Exemption for Fiscal Year 2020,

or

**Motion:** [To] adopt the Small Commercial Exemption for Fiscal Year 2020 business (as) on the DET list valued at less than \$1 million, which will shift the burden within the Commercial & Industrial Classes.

## **ADDENDUM**

### **SUDBURY'S MEANS TESTED SENIOR TAX EXEMPTION**

Finally, we are asking this evening that the Board vote on the cap to be used to fund the Sudbury Senior Means Tested Exemption Program for Fiscal year 2020. Section 3 of Chapter 169 of the Acts of 2012, specifies that the total cap on the exemptions granted by the act shall be set annually by the board of selectmen, within a range of .5 to 1 per cent of the residential property tax levy for the town of Sudbury. The vote is traditionally taken following the mandatory Classification Hearing votes.

Massachusetts Chapter 169 of the Acts of 2012 established, and Chapter 10 of the Acts of 2016 renewed a pilot program in Sudbury for granting certain qualified senior residents a measure property tax relief. Fiscal year 2020 is the seventh year of the program. The exemption is similar to the Residential Tax Exemption in that it shifts the tax burden from qualified residential property owners to other residential property owners. For Fiscal year 2014, the statute limited the total exemptions granted under the pilot program to a dollar cap equal to 0.5% of the residential levy (after any CIP shift). For Fiscal year 2019, the Select Board voted to increase the cap to 0.54%. For fiscal year 2020, Selectmen have the option, if needed, to increase this percentage up to and including 1.0%.

Applications are required, and the Assessors administer this program for all applicants deemed qualified by the Board of Assessors. For fiscal year 2020, the Assessors received 109 applications and the Board of Assessors identified 106 applicants tentatively qualified to receive the exemption. In order for the Assessors to complete the necessary calculations, the Board of Selectmen must first vote the Residential Factor and CIP shift values for fiscal year 2020 in the Classification Hearing. That vote will determine a tentative residential tax rate, which will then be used in the calculations and result in an increase in the tentative residential tax rate.

For fiscal year 2020, the indicated need seems to point to a cap on the percentage of residential tax levy required to fund the program may be slightly less than last



year's cap. Our calculations indicate the cap on the exemption percentage of the residential tax levy of .5189% should be sufficient to fund the program for Fiscal year 2020.

The Act also provides an alternative to increasing the cap, whereby the income threshold may be adjusted above the nominal 10.0% until the need is reduced to fall within the cap.

Suggested Motion:

Vote in accordance with Chapter 169 of the Acts of 2012, the total FY2020 cap on the exemptions granted by the Means Tested Senior Tax Exemption shall be .5189% of the residential property tax levy.