

TOWN OF SAUGUS



FISCAL YEAR 2024

TAX CLASSIFICATION HEARING

**Presented by the
Saugus Board of Assessors**

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Public Hearing

November 29, 2023

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Purpose

The purpose of the (public) classification hearing is for the Board of Selectmen to determine the allocation of the local property tax to be borne by the four classes of real property and class five personal property for Fiscal Year 2024. In deciding the allocation, the **Selectmen must adopt a residential factor**. The residential factor is used to determine the percentage of the tax levy that is applied to each class of real and personal property. The Board of Assessors applies these percentages to the individual property classes (M.G.L. Chapter 40, Section 56).

It is the responsibility of the Assessors to provide the Selectmen with relevant information and to discuss the fiscal effects of possible alternatives.

I. Total Assessed Values for Fiscal Year 2024

The Board of Assessors reviewed all relevant market data to determine necessary adjustments for Fiscal Year 2024 property values. These adjustments were made using the Department of Revenue’s Bureau of Local Assessment mandatory standards and practices. All values have been updated to comply with the statutory requirement of Chapter 59, Section 2A, i.e., that all taxable property be annually assessed at its fair cash value as of the assessment date of January 1, 2023. As indicated within this packet, the total taxable assessed value for Fiscal Year 2024 is:

\$6,934,627,084

Class One	Residential
Class Two	Open Space
Class Three	Commercial
Class Four	Industrial
Class Five	Personal Property

The usage codes are issued in accordance with the Department of Revenue, Bureau of Local Assessment guidelines.

A. Interim / Recertification Year Adjustments

Per the Department of Revenue’s guidelines, the assessing cycle requires that all parcels in Saugus, exempt and taxable, be visited every 10 years. Values are to be determined every year. **Fiscal Year 2024** values were established by analyzing **calendar year 2022** sales and income and expense data. The Department of Revenue recertifies values and audits the operations of the Assessors’ office every five years. Our next recertification year will be Fiscal Year 2028. Changes to valuation tables in the years between recertification years are called “interim years.”

B. New Growth

New growth is one of the components involved in developing the tax rate. The new growth has increased from last year for residential, commercial and personal property classes. The new growth relevant to FY 2024 was distributed among residential and CIP properties as follows:

FY 2024 New growth	Value	Last year tax rate	Total levy growth
Residential	\$39,349,600.00	\$ 11.26	\$443,076
Commercial	\$9,303,500.00	\$ 23.34	\$217,144
Industrial with RESCO	\$166,400.00	\$ 23.34	\$3,884
Personal Property	\$40,320,490.00	\$ 23.34	\$941,080
TOTAL	\$89,139,990.00		\$1,605,184
CIP total	\$ 49,790,390.00	% of total growth	55.9%
Residential total	\$ 39,349,600.00	% of total growth	44.1%
			100%

New Growth Comparison:

2024	\$1,605,184
2023	\$1,515,638
2022	\$846,712
2021	\$1,146,652
2020	\$1,439,524

C. Total Taxable Value

The total taxable value for FY 2024 is \$6,934,627,084.

	<u>VALUE</u>	<u>% SHARE</u>
Residential	\$5,747,620,829	82.88%
Open Space	\$0	0.00%
Commercial	\$840,772,204	12.12%
Industrial	\$181,779,121	2.62%
Personal Property	\$164,454,930	2.37%
	\$6,934,627,084	100.00%

Overall, the Residential/Open Space (R/O) portion is 82.88% of the total value and the Commercial/Industrial/Personal Property (C/I/P) portion is 17.12%. The FY 2023 percentages were similar at 82.79% and 17.20% respectively.

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus override / exclusion if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condominium conversions and property renovations but not due to revaluation. It is calculated by multiplying the increased assessed valuation by the prior year's tax rate for the appropriate class of property.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.
Debt Exclusion	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital project costs.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

II. Tax Levy

<i>The Commonwealth of Massachusetts Department of Revenue</i>					
<i>Tax Levy Limitation Fiscal Year 2024 Budget Planning Purposes</i>					
I.	<i>To Calculate the FY2023 Levy Limit</i>				
A.	FY2022 Levy Limit		\$	73,485,587	
A1.	Add Amended FY22 Growth	+	\$	35,550	
B.	Add (IA + IA1) x 2.5%	+	\$	1,838,028	
C.	Add FY23 New Growth	+	\$	1,515,638	
C.1	Add FY23 New Growth Adj	+			
D.	Add FY23 Override	+	\$	-	
E.	FY23 Subtotal	=	\$	76,874,803	I. \$ 76,874,803
F.	FY23 Levy Ceiling		\$	157,230,276	FY23 Levy Limit
II.	<i>To Calculate the FY2024 Levy Limit</i>				
A.	FY23 Levy Limit		\$	76,874,803	
A1.	Add Amended FY23 Growth	+			
B.	Add (IA + IA1) x 2.5%	+	\$	1,921,870	
C.	Add FY24 New Growth	+	\$	1,605,184	*
C.1	Add FY24 New Growth Adjustment				
D.	Add FY24 Override	+	\$	-	
E.	Add FY24 Subtotal	=	\$	80,401,858	II. \$ 80,401,858
F.	FY24 Levy Ceiling		\$	173,365,677	FY24 Levy Limit
III.	<i>To Calculate the FY2024 Maximum Allowable Levy</i>				
A.	FY24 Levy Limit from II.		\$	80,401,858	
B.	FY24 Debt Exclusion(s)	+	\$	7,027,526	*use net DE service
C.	FY24 Capital Expenditure Exclusion	+	\$	-	
D.	FY24 Stabilization Fund Override				
E.	FY24 Other Adjustment:				
F.	FY24 Water/Sewer				
G.	FY24 Maximum Allowable Levy	=	\$	87,429,384	
	* Must be certified by DOR				

III. Required action by the Board of Selectmen

This hearing will allow the Board of Selectmen to consider the following options that will be explained further along in this presentation handbook. The decision of the Board must be submitted to the Department of Revenue on form LA-5.

THE OPTIONS PRESENTED FOR CONSIDERATION ARE:

- (A) Selection of a Minimum Residential Factor.
- (B) Granting of a Residential Exemption.
- (C) Granting of a Small Commercial Exemption.
- (D) Selection of an Open Space Discount.

(A) MINIMUM RESIDENTIAL FACTOR:

The Board of Selectmen has the option of selecting a “factor 1” which in effect, would adopt a “Single or Uniform Tax Rate” for all residential, commercial, industrial and personal property classes instead of shifting some of the tax burden off the residential classes and onto the CIP classes. If “factor 1” was adopted for FY2024, the uniform tax rate would be \$12.60 (Tax Levy \$87,385,649 / total value \$6,934,627,084 = 0.01260).

	<u>Residential</u>	<u>Commercial</u>
Single tax at 100%	\$ 12.60	\$ 12.60
Shift at 125%	\$ 11.95	\$ 15.75
Shift at 150%	\$ 11.30	\$ 18.90
Shift at 175%	\$ 10.65	\$ 22.05

In accordance with the provisions of MGL Chapter 200, the Board of Selectmen can choose to shift the Town’s tax burden from the Residential class to the Commercial, Industrial and Personal Property classes as long as the shift does not exceed the Minimum Residential Factor. This means the burden cannot be shifted more than 175%. Historically, Saugus has chosen the maximum allowable shift factor to afford residential tax payers the lowest share of the tax burden.

The FY2024 Minimum Residential Factor is anticipated at 0.845109, pending D.O.R. approval.

Below are charts with examples of neighboring communities showing Tax Rates, Shifts, Average Single Family Assessed Values and Average Single Family and Commercial Tax Bills from the previous year.

TAX RATES

Municipality	Fiscal Year	Residential Tax	Open Space	Commercial, Industrial, Personal Property
Lynn	2023	11.15	0.00	21.35
Lynnfield	2023	11.30	0.00	18.15
Malden	2023	12.19	0.00	18.68
Melrose	2023	10.42	0.00	18.12
Revere	2023	9.51	0.00	18.98
Saugus	2023	11.26	0.00	23.34
Wakefield	2023	11.73	0.00	22.46

TAX SHIFTS

Municipality	Fiscal Year	R/O % of Total Value	CIP % of Total Value	Max CIP Shift Allowed	CIP Shift
Lynn	2023	89.6900	10.3100	1.750000	1.75000
Lynnfield	2023	88.2297	11.7703	1.572849	1.49923
Malden	2023	88.3754	11.6246	1.750000	1.73972
Melrose	2023	94.9952	5.0048	1.750000	1.68001
Revere	2023	85.8756	14.1244	1.750000	1.75000
Saugus	2023	82.7993	17.2007	1.750000	1.75000
Wakefield	2023	89.3639	10.6361	1.750000	1.75000

AVERAGE SINGLE FAMILY ASSESSED VALUES

Municipality	Fiscal Year	Single Family Parcels	Average Single Family Value	Single Family Tax Bill
Lynn	2023	11,657	477,670	5,326
Lynnfield	2023	3,874	899,564	10,165
Malden	2023	5,675	367,297	4,477
Melrose	2023	6,375	733,465	7,643
Revere	2023	4,515	520,830	4,953
Saugus	2023	7,231	565,057	6,363
Wakefield	2023	6,255	698,570	8,194

AVERAGE SINGLE FAMILY AND COMMERCIAL TAX BILLS

TAX COMPARISON

RESIDENTIAL

<i>YEAR</i>	2023	2024	% CHANGE	\$ CHANGE
TAX RATE	\$ 11.26	\$ 10.65	-5.42%	\$ (0.61)
VALUE	\$ 565,057	\$ 617,905	9.35%	\$ 52,848
TAXES	\$ 6,363	\$ 6,581	3.43%	\$ 218.15

COMMERCIAL

<i>YEAR</i>	2023	2024	% CHANGE	\$ CHANGE
TAX RATE	\$ 23.34	\$ 22.05	-5.53%	\$ (1.29)
VALUE	\$ 1,907,670	\$ 2,172,585	13.89%	\$ 264,915
TAXES	\$ 44,525	\$ 47,905	7.59%	\$ 3,380.48

FY 2024 proposed rates can change slightly during the approval process.

(B) RESIDENTIAL EXEMPTION:

The Board of Selectmen may adopt an exemption of up to 35% to shift the Residential Class tax burden from lower assessed properties that are the principal residence of a taxpayer to higher assessed properties and properties that are not the principal residence of a taxpayer.

It is true some properties would receive tax relief through the adoption of this measure. However, since the tax levy remains the same, it will only shift the burden to properties over the median assessed value whether they are owner occupied or not. This program is very costly to implement and maintain. It is adopted in a handful of communities including Boston, Cambridge, Everett, Chelsea and Brookline. The Board of Assessors has consistently recommended that a residential exemption **NOT BE ADOPTED.**

(C) SMALL COMMERCIAL EXEMPTION:

The small business exemption was implemented in FY 1995. The exemption was intended to give a tax benefit to certain commercial properties. The qualifications are: the real estate must be occupied on January 1st by a business that has fewer than 10 employees and the total assessed property value must be less than \$1,000,000. Additionally, the property must be within the commercial (300) class. This would disqualify any mixed use properties and home businesses. The State provides to the Saugus Assessors a confidential list of companies that have fewer than ten employees generated by the State Department of Employment. There is no data shared with other towns to determine if there are other branches of the same business in another town. It should be noted that this list is not a public record and that if the state did not list a business, even if it may qualify, that business would not qualify for the exemption. Any tax benefits from this exemption go to the owner of the real estate and not to the qualifying business(es). This exemption is limited to no more than 10% of the total commercial dollars of assessed value. The cost of the tax benefits realized by any qualifying parcels are then shifted to the non-qualifying parcels within the commercial and industrial classes, but not to the personal property class. Unlike the residential exemption, the exemption is applied to the qualifying parcels as a percentage of value instead of a dollar value. The Department of Revenue has not been enthusiastic in recommending that communities utilize this exemption because of the many questions that have been raised about implementation which, as of yet, have not been addressed by the legislature. Adopting the small commercial exemption increases the other commercial and industrial tax rates in addition to the initial shift. Therefore, the Board of Assessors has consistently recommended that a Small Commercial Exemption **NOT BE ADOPTED**.

(D) OPEN SPACE DISCOUNT:

The Town of Saugus does not currently have any property classified as Open Space (Class 2). However, if it did, and an Open Space Discount was adopted, the residential tax rate would then be increased thus increasing the tax burden for the residential homeowner. **NO ACTION NEEDED**.