Explanation of Property Taxes

Board of Selectmen

January 10, 2012

Presentations:

- Calculating the tax rate and taxes
  - How the levy affects the rate
  - How values affect the rate and the bill
  - Comparisons to other communities
- Assessment Practices and Procedures
  - Residential valuation
  - Commercial valuation
  - Abatement and exemptions

Factors that Affect Tax Bills

- Increases in the tax levy
  - Levy limit can grow 2.5% from the prior year levy limit
  - New taxes from new development is added on top of the 2.5% base increase
- Increases/decreases in property values
  - Decreases in Town-wide property values raises the tax rate
  - Increases in Town-wide property values decreases the tax rate
  - A decrease versus increase in total residential value versus to commercial/industrial/PP can swing the tax burden toward the side that is growing

Increase in the Tax Levy

- The maximum increase in the levy is determined by the rules of Prop 2 ½:
  - FY11 Total Levy (FY10 Levy x 1.025) plus FY11 New Development Growth)
  - X 1.025 = FY12 Base Levy
  - FY12 Total Levy =
  - FY12 Base Levy + FY12 New Development Growth
  - Add any costs voted by the Town above the tax levy = Final FY12 Levy

Increase in the Tax Levy

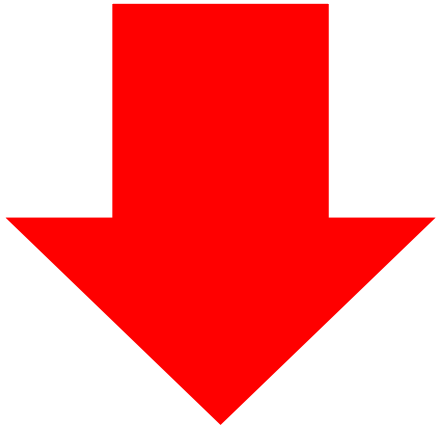
- FY11 Total Tax Levy: $157,811,876
- + 2.5% increase: $3,945,297
- + FY12 New Growth: $1,563,656
- = FY12 Levy Limit: $163,320,829
- + FY12 (HS)Debt Exclusion: $403,817
- + FY12 Total Tax Levy: $163,724,646

Increase/Decrease in Assessed Property Values

- The total value of all properties in Town increased .94% ($70m)
- Residential class of properties increased in value by 3.3%
  - The ratio of residential property of the total grew from 75.46% to 77.24%
- CIP classes of properties decreased 6.41% The ratio of CIP property of the total dropped from 24.54% to 22.76%

Residential

$187m

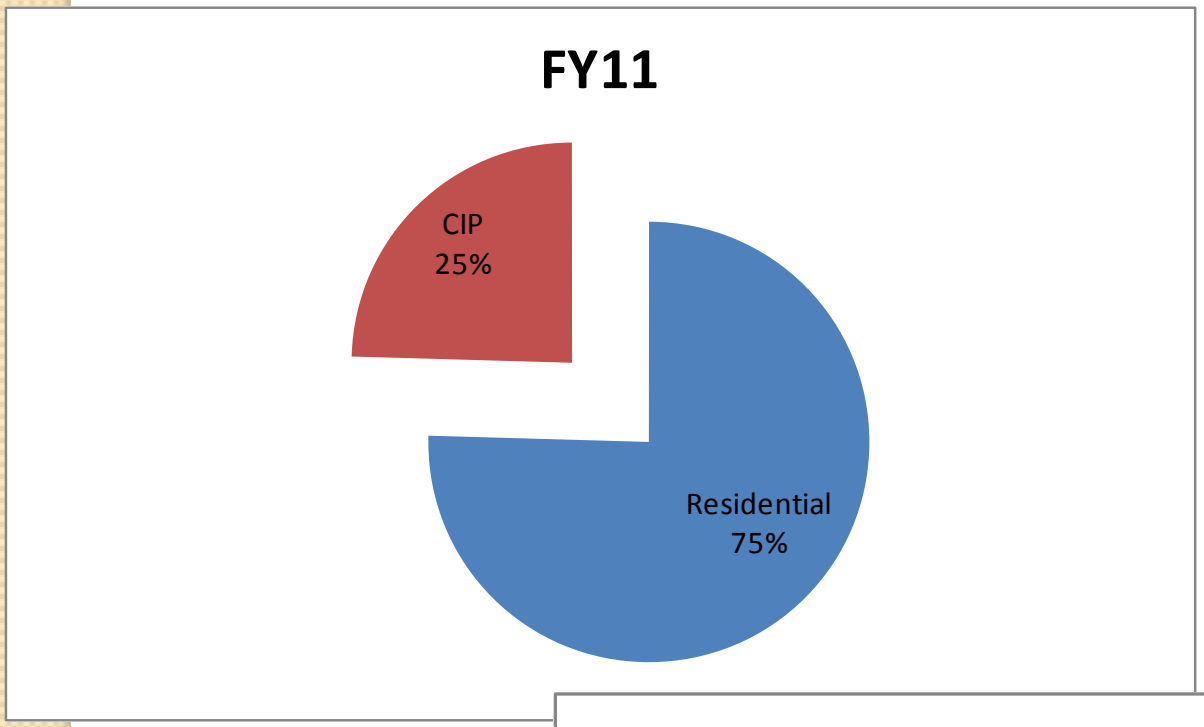


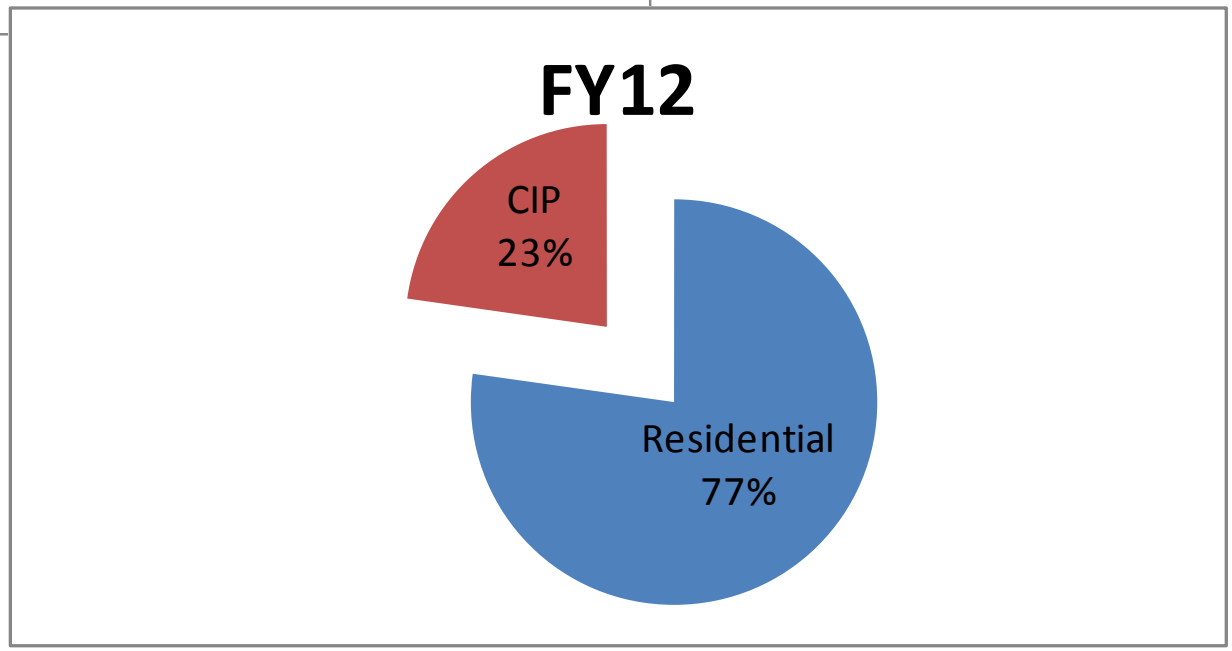
CIP

$117.4m

The larger the change in opposite directions the greater the swing of tax burden to the increasing value side.

Share of Total Town Value





Calculating the Tax Rate

- Create a single rate first
  - Total amount of the tax levy is divided by the total value of all property in Town
  - $163,724,646 / $7,529,736,477 = .02174
  - **Or $21.74 per $1,000 value**
- This would be the rate for both residential and commercial taxpayers
  - FY11 single rate was $21.21

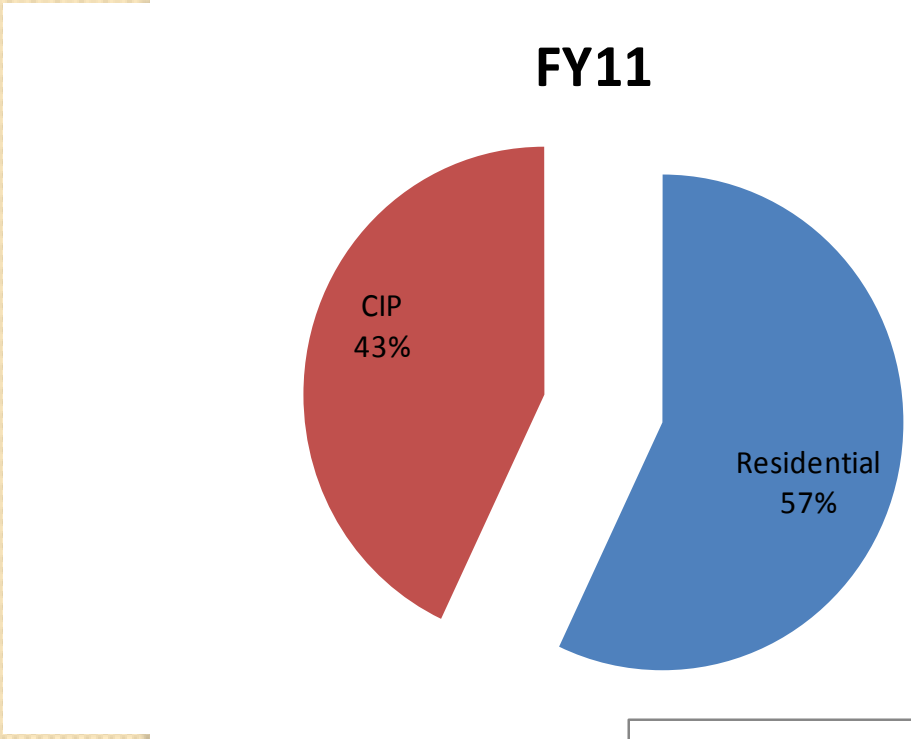
Calculating the Tax Rate

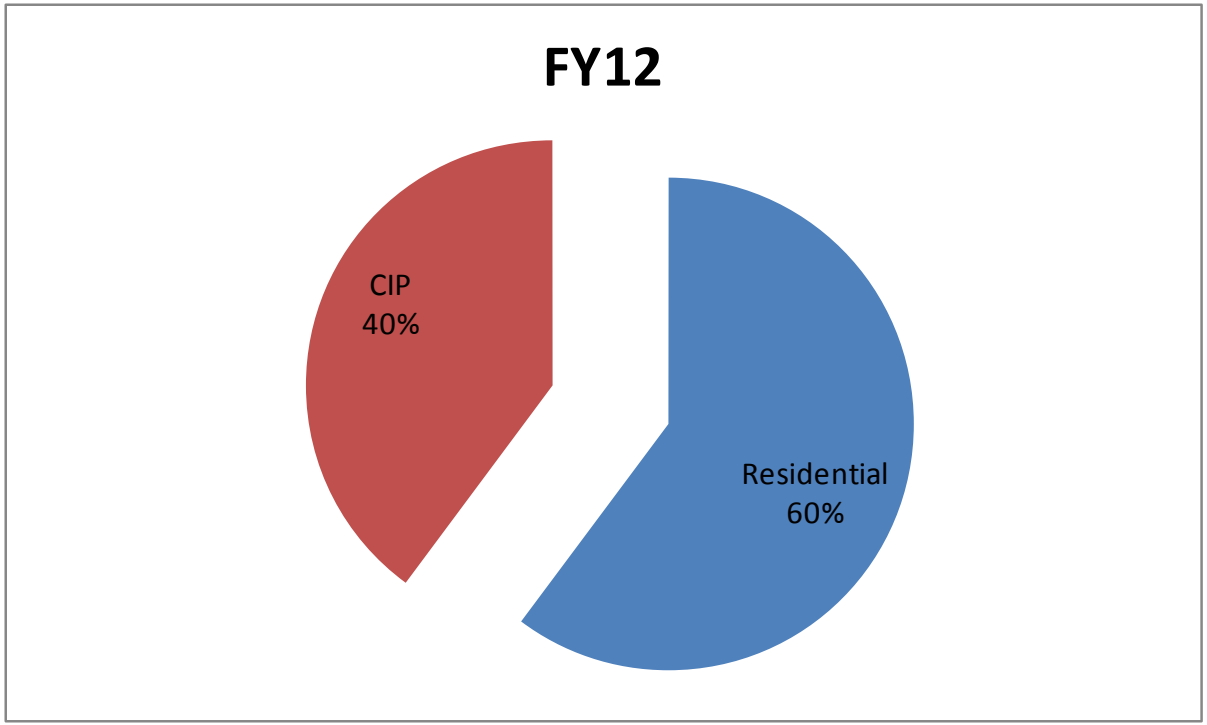
- Then apply the shift of tax burden from residential to commercial share of total property value
  - CIP portion of total value = 22.756%
  - X 1.75 = 39.82% increased share
    - FY11 shifted share was 42.95%
- Multiply the new CIP share by the total levy: 39.82% X $163,724,646 = $65,195,154.04
- Divide new CIP share by CIP value: $65,195,154.04 / $1,173,393,234 = .03805
- CIP Tax Rate is $38.05 per $1,000

Calculating the Tax Rate

- Determine the new Residential share of the tax burden: 100% - 39.82% = 60.18%
  - FY11 residential share was 57.05%
- Multiply total levy by residential share:
  - $163,724,646 X 60.18 = $98,529,491
- Divide new residential share by total residential value:
  - $98,529,491.96 / $5,816343,243 = .01694
- Residential tax rate is $16.94 per $1,000

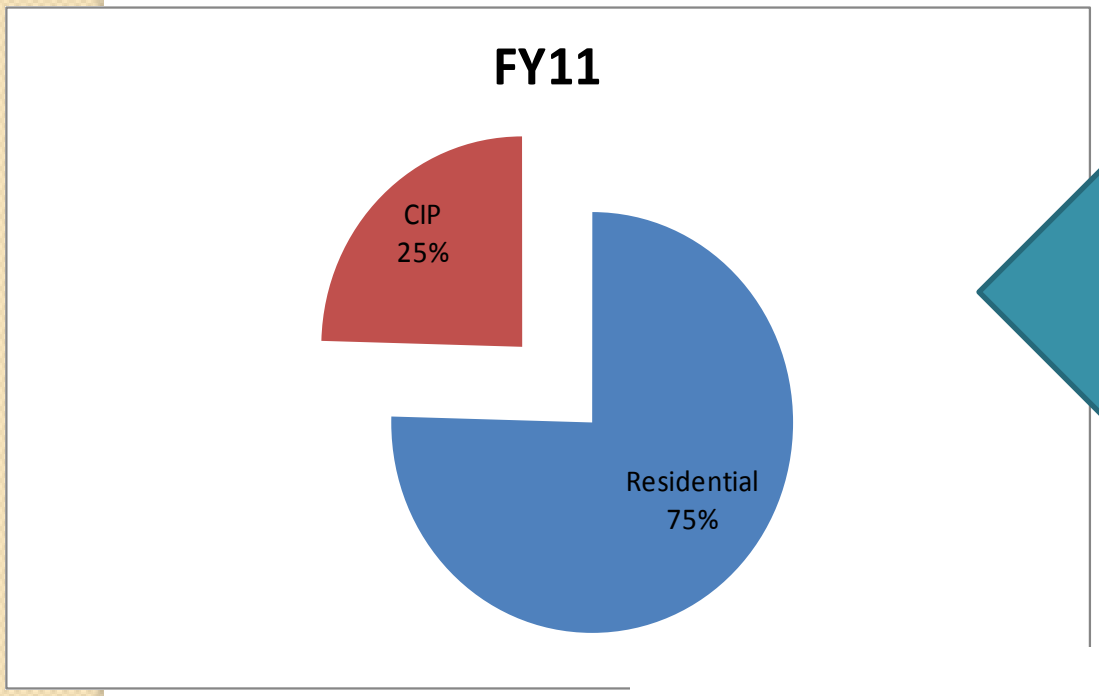
Share of Total Tax Revenue





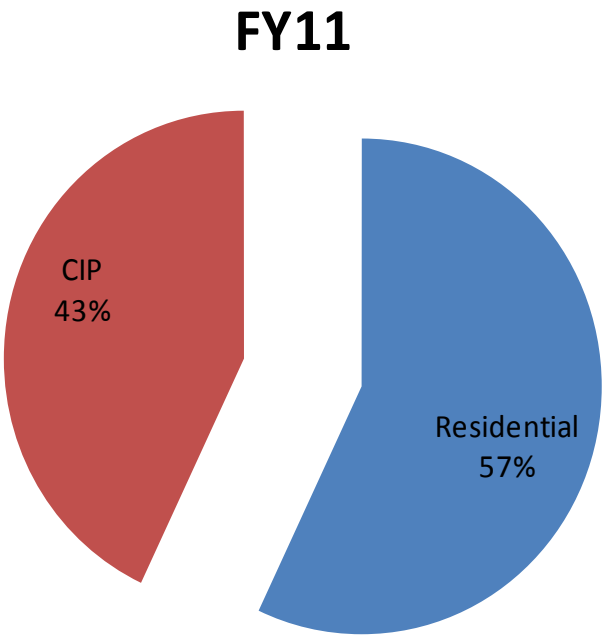
Impact of the Levy on FY12 Tax Bill

- The average single family tax bill increased $576.71
  - Of that increase $139 is due to the 2.5% increase in the tax levy from FY11 to FY12
  - Almost 75% of the total increase in the average single family tax bill is due to the decreased absorption by the smaller commercial base

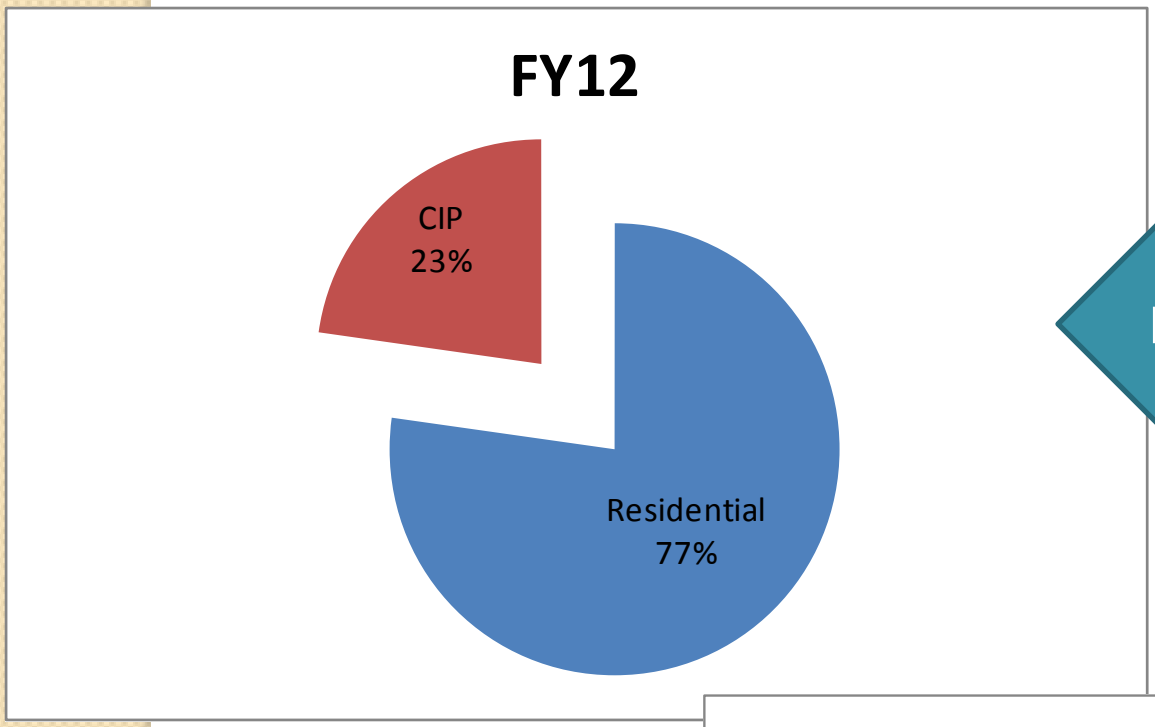


Property Values Ratio

Share of taxes paid



CIP absorbs $29.1 million in tax burden from residential share



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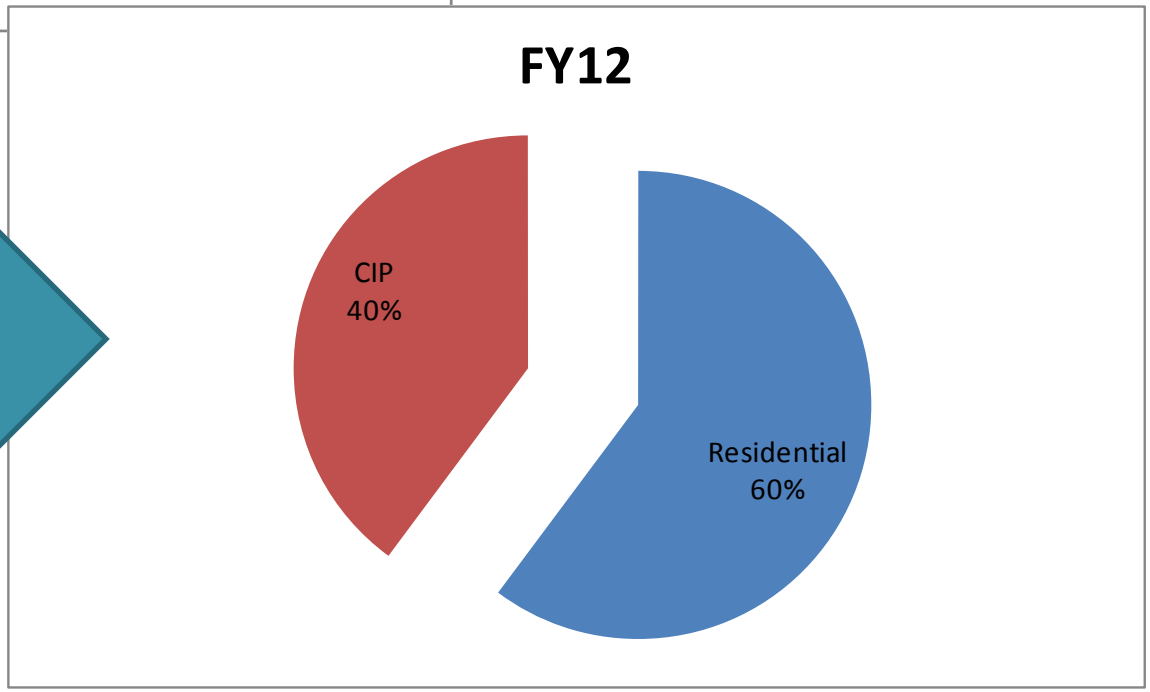
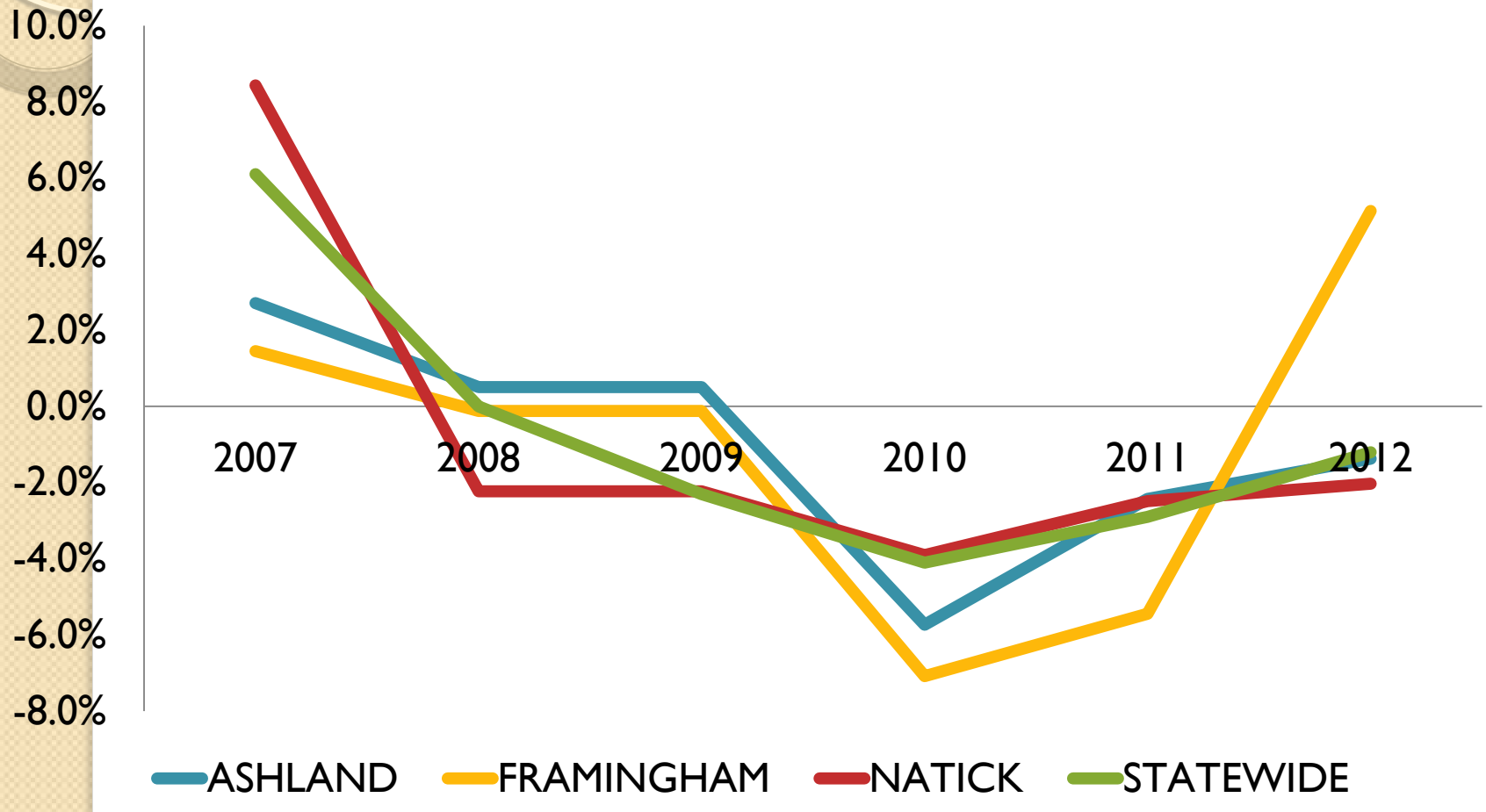


CIP still absorbs $27.9 million in tax burden from residential share

Residential Values

- Even though residential value is 3.3% or $187m higher than FY11 it is still $1 **Billion** less than FY09, a decrease of 14.6%
- Framingham residential values decreased sharply in FY11 ($640 million) versus other communities.
- Surrounding and similar communities' residential value did not drop as sharply in FY11 which is why they are still adjusting downward in FY12
- Compared over a 4 year period

% Change in Single Family Home Values



Change in Property Values (2011-12)

MUNICIPALITY	SINGLE FAMILY HOMES	CIP
ASHLAND	-1.4%	0.4%
FRAMINGHAM	5.1%	-6.4%
MARLBOROUGH	-1.5%	-4.0%
NATICK	-2.0%	-2.4%
SHERBORN	0.3%	0.1%
SOUTHBOROUGH	1.3%	-7.8%
SUDBURY	-1.0%	-1.1%
WAYLAND	0.0%	1.3%
STATEWIDE	-1.2%	-4.2%

Commercial Values

- In FY11 both commercial and residential value decreased by a similar percentage (5.9% and 6.25%), so the tax burden shift did not swing toward the residential side
- In FY09 the reverse of the FY11 shift swing happened where the average single family tax bill decreased by $86.17 because residential values dropped but commercial values increased.