

FISCAL YEAR 2021 TAX BILL CLASSIFICATION & EXEMPTIONS

A review of the property
tax levy shifting options

October 29, 2020

Town of Barnstable, MA

Fiscal 2021 Maximum Allowable Levy

The previous year's levy limit increased by 2.5% and new property growth as well as any voter approved capital and/or debt exclusions and other special assessments.

The FY21 tax levy is \$3.6 million; or 2.8% more than FY20.

Description	Amount
Fiscal 2020 level limit	\$125,537,222
Proposition 2 ½ allowable increase	\$3,138,431
FY 2021 estimated new property growth	<u>\$1,070,153</u>
FY 2021 levy limit	\$129,745,806
Fiscal 2021 approved debt exclusions (Cape Cod Regional Technical HS)	\$1,971,714
Fiscal 2021 Cape Cod Commission assessment	<u>\$628,701</u>
Fiscal 2021 maximum allowable levy	\$132,346,221
Tax levy used to balance Fiscal 2021 budget	<u>(\$132,026,068)</u>
Excess taxing capacity	\$320,153

Change in Assessed Values

The town realized a growth in overall property value of 5.9% in fiscal year 2021 as a result of an improving real estate market and new property growth.

The 2021 residential property values are based on calendar year 2019 sales data and will not necessarily reflect today's market value.

Class	FY20 Value	FY21 Proposed Values	Change	
Residential	\$13,367,563,829	\$13,904,637,056	\$537,073,227	4.0
Commercial	1,357,588,104	1,641,789,164	284,201,060	20.9
Industrial	80,314,500	93,932,600	13,618,100	17.0
Personal	280,109,380	341,793,370	61,683,990	22.0
Total	\$15,085,575,813	\$15,982,152,190	\$896,576,377	5.9

Fiscal 2021 Estimated Tax Rate

The fiscal year 2021 single tax rate before any Residential Exemption is \$0.25 less than fiscal year 2020, or 2.9% lower. The increase in property value results in a reduction in the tax rate.

Class	Valuation	Levy %	Rate	Levy
Residential	\$13,904,637,056	0.8700	\$8.26	\$114,862,679
Commercial	1,641,789,164	0.1027	\$8.26	\$13,559,077
Industrial	93,932,600	0.0059	\$8.26	\$778,954
Personal	341,793,370	0.0214	\$8.26	\$2,825,358
Total	\$15,982,152,190	1.0000		\$132,026,068

Single tax rate for Fiscal 2020 was \$8.51

Tax shifting options will decide how the \$132 million will be distributed between and within property classes. The two options to be discussed will not change the FY21 tax levy.

2 Tax Levy Shifting Options

The tax rate can be impacted by Town Council decisions regarding splitting the tax rate between the residential and CIP classes and the adoption of a residential exemption.

1. **The Residential Exemption** allows for the shift of a portion of the residential tax levy from primary residences to second homeowners **and** primary residences with higher property values.
2. **The “Split Tax Rate”** allows for a shift of the tax levy from the residential class of property to the commercial, industrial and personal property classes (CIP).

Option 1: Residential Exemption

This option reduces the taxable assessed value for each qualified primary residence. Barnstable has approximately 11,715 qualified properties for FY21 and the result of adoption would be a higher tax rate for all residential properties and a deduction from every qualified property's value before the tax is calculated at the higher tax rate.

- Town Council can authorize up to a 35% exemption to Barnstable "residents"
- The exemption applied is up to 35% of the total **average** residential parcel value
- The property must be the "primary residence" of the owner as used for income tax filing purposes and they must have owned the property on January 1, 2020
- This option shifts the taxes only **within** the residential class of taxpayers & does not change the levy amount itself or impact CIP property owners
- 15 communities out of 351 adopted the residential exemption in FY20

Community	Percentage
Barnstable	20
Boston	35
Brookline	21
Cambridge	30
Chelsea	31
Everett	25
Malden	30
Nantucket	25
Provincetown	25
Somerville	35
Tisbury	18
Truro	20
Waltham	35
Watertown	24
Wellfleet	20

Residential Exemption Calculation

The exemption may not exceed 35 percent of the average assessed value of all residential properties.

To calculate the exemption the average assessed value of all residential parcels must first be determined.

The adopted percentage is applied to this amount. The assessed valuation of each residential parcel that is the domicile of the taxpayer is then reduced by that amount.

Total Residential Value	\$13,904,637,056
Divided by Total Residential Parcels	25,677
Average Residential Value (ARV)	\$541,521

Average Residential Value	\$541,521	\$541,521
Exemption %	20% (Current)	35% (Max)
Exemption Value	\$108,304	\$189,533
Eligible Parcels	11,715	11,715
Residential Value Exempted	\$1,268,781,360	\$2,220,379,095

Residential Exemption Tax Rate Impact

As the residential exemption removes a portion of the property value subject to taxation it results in a higher tax rate for the residential class as the same amount of taxes are levied on this class of property.

	With 20% Residential Exemption	With 35% Residential Exemption
Residential Value	\$13,904,637,056	\$13,904,637,056
Value Exempted	(\$1,268,781,360)	(\$2,220,379,095)
Net Value Taxed	\$12,635,855,696	\$11,684,257,961
Residential Tax Levy	\$114,862,679	\$114,862,679
Residential Tax Rate	\$9.09	\$9.83

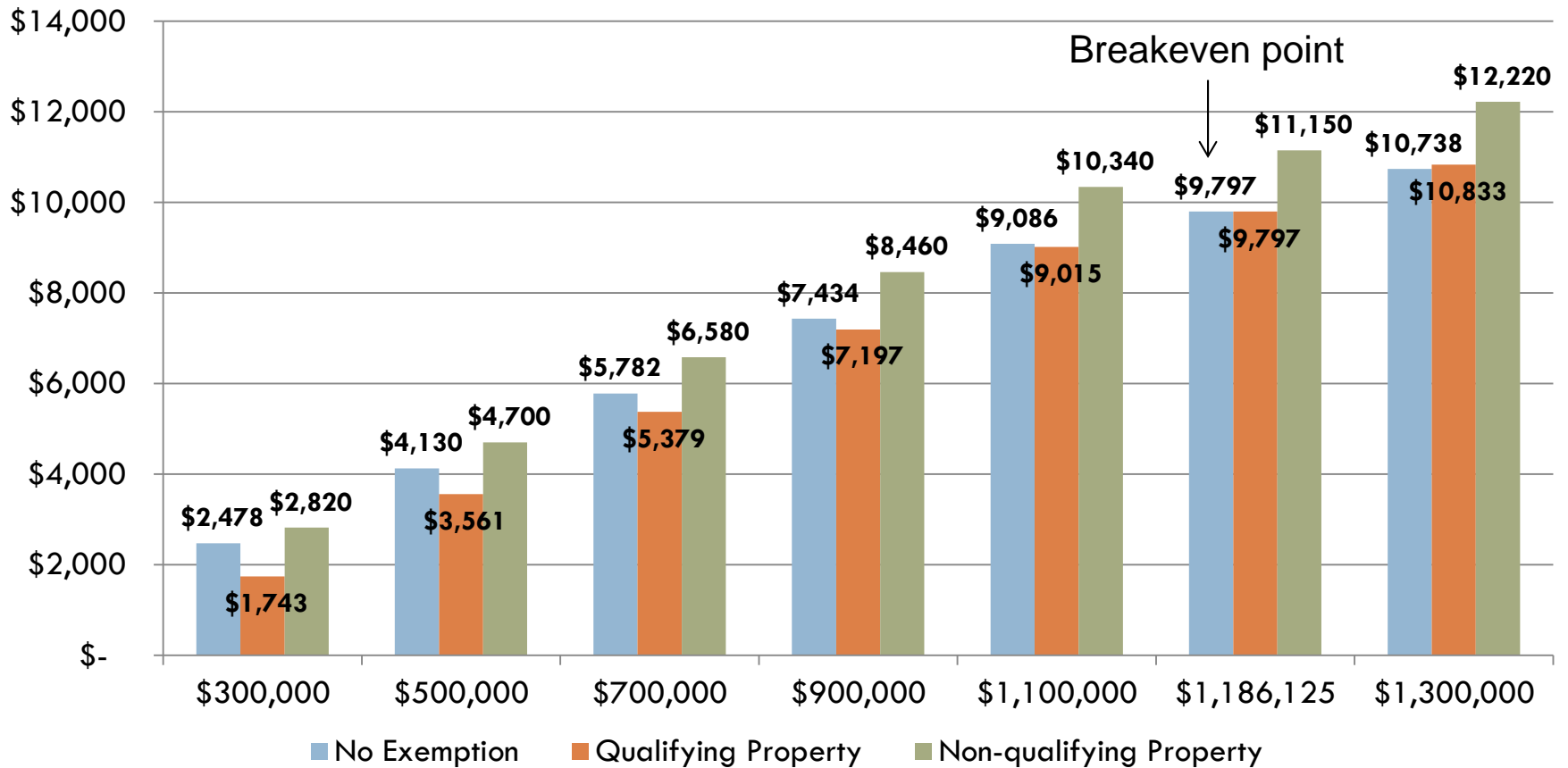
Residential Exemption Tax Bill Impact on Median Residential Value

The breakeven point where there is no tax advantage for a primary resident with a 20% residential exemption is about **\$1,186,125**.

Primary resident property owners valued above the breakeven point should still seek the exemption.

	No Exemption	20% Exemption	35% Exemption
Median Residential Value	\$388,500	\$388,500	\$388,500
Exemption amount		\$(108,304)	\$(189,533)
Taxable Value	\$388,500	\$280,196	\$198,967
Residential Tax Rate	\$8.26	\$9.09	\$9.83
Tax Bill	\$3,209	\$2,547	\$1,956
Savings vs. no exemption		\$662	\$1,253

Tax Bill Comparison – No Exemption vs. 20% Residential Exemption With Qualifying and Non-Qualifying Properties



Excluding Community Preservation and Fire District Taxes

Option 2: The “Split Tax Rate”

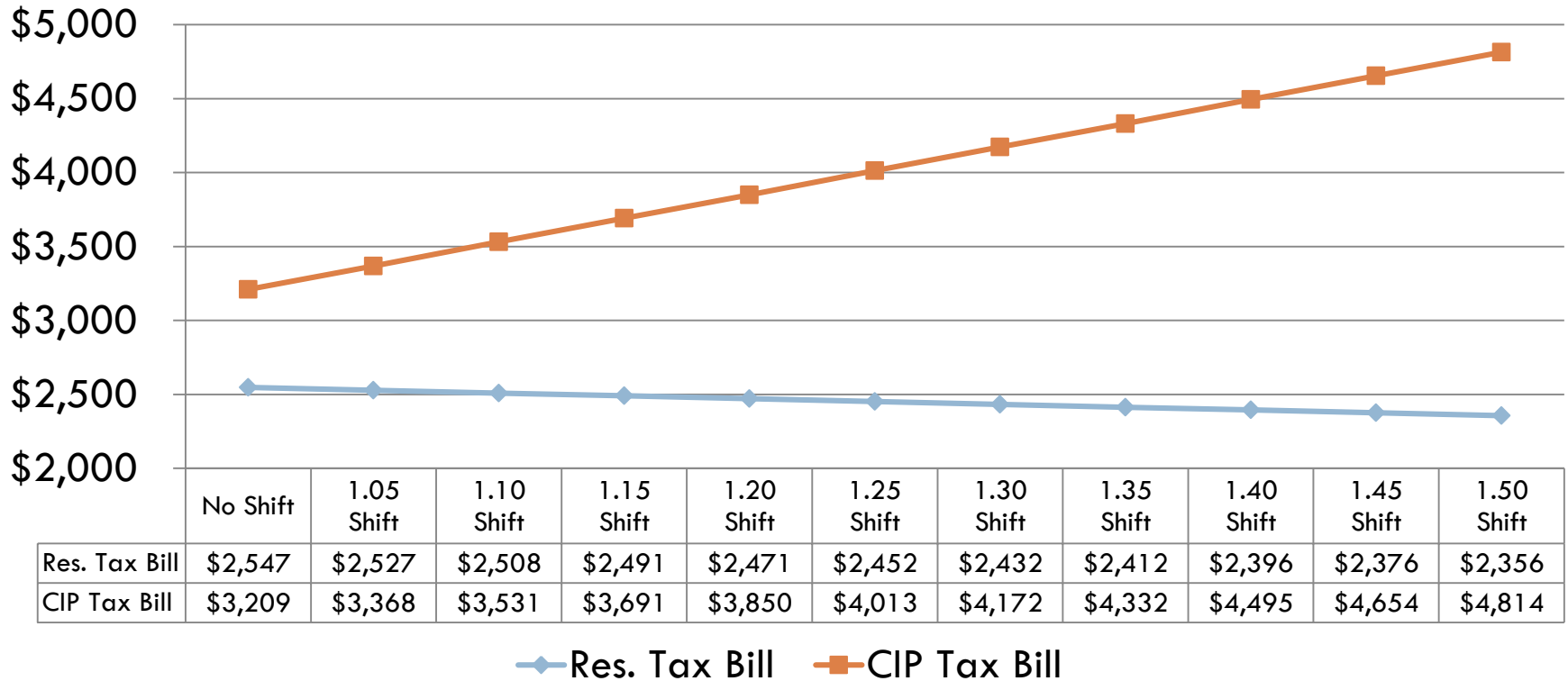
Estimated tax rates at selected percentage shifts.

Examples illustrated include a 20% residential exemption.

108 MA communities had split tax rates in fiscal year 2020.

CIP Shift	Residential Tax Rate	CIP Tax Rate	Tax Levy Shift
1.00	\$9.09	\$8.26	\$0
1.05	\$9.02	\$8.67	\$858,147
1.10	\$8.95	\$9.09	\$1,716,294
1.15	\$8.89	\$9.50	\$2,574,441
1.20	\$8.82	\$9.91	\$3,432,588
1.25	\$8.75	\$10.33	\$4,290,736
1.30	\$8.68	\$10.74	\$5,148,883
1.35	\$8.61	\$11.15	\$6,007,030
1.40	\$8.55	\$11.57	\$6,865,177
1.45	\$8.48	\$11.98	\$7,723,324
1.50	\$8.41	\$12.39	\$8,581,472

Residential Tax Bills vs. CIP Tax Bills - Median Residential Property Value of \$388,500 - Example Includes a 20% Residential Exemption



Every \$1 saved by a residential taxpayer results in a CIP taxpayer paying almost \$8 more.