

Tax Classification Hearing
November 30, 2021 and continued on December 6, 2021

This is the annual classification hearing for the Select Board to determine what property tax options will be adopted for the Town of Shutesbury for Fiscal Year 2022.

There are four separate decisions for you to vote upon:

1. To have a single or a split tax rate.
2. To adopt / not adopt an Open Space Discount.
3. To adopt / not adopt a Residential Exemption.
4. To adopt / not adopt a Small Commercial Exemption.

Before you decide on these four issues, here is some background information on how we arrived at the Fiscal Year 2022 tax rate.

There are two parts to the calculation of a tax rate: First is the tax levy – that is, the total amount of money being raised through property taxes. The Fiscal Year 2022 tax levy is \$5,303,264. Second is the total valuation of property in town. For Fiscal Year 2022, the total assessed value of all property in Shutesbury is \$242,731,636.

That valuation is \$16,741,236 higher – a 7.4% increase – over Fiscal Year 2021's valuation of \$225,990,400.

In calculating new residential values for Fiscal Year 2022, we studied all single-family residential property sales for the calendar year from January 1, 2020 through December 31, 2020. Due to small sample sizes, we also studied the sales of all other residential property from January 1, 2019 through December 31, 2019.

Overall, Residential values rose by \$15,955,449. This 7.5% increase is due to market sales during the time periods just mentioned. The continuing rise in sales prices

versus assessed value that we've seen continuing in calendar year 2021 will be reflected in the Fiscal Year 2023 valuations.

Other significant value changes from Fiscal Year 2021 to Fiscal Year 2022 were:

- A \$378,457, or 21.2% increase in Commercial values. Although we think of Shutesbury as having no Commercial tax base, the many Chapter 61, 61A and 61B protected lands in town are considered by the Department of Revenue as Commercial properties. The state increased the amount we can value an acre of forest land and an acre of farmland in Fiscal Year 2022.
- A \$19,344, or 3.6%, increase in Industrial values: This is almost entirely due to increases in the PILOT agreement between Next Era and the town and the lease price that Next Era is paying to W.D. Cows.
- A \$600,466, or 5.7%, increase in Personal Property values: The majority of this increase stems from the Department of Revenue mandating a new way of valuing our three utility accounts for National Grid and Eversource.

Getting back to setting the tax rate:

Shutesbury's property tax base this fiscal year remains at 94.3% residential property. The remaining 5.7% is termed "CIP" – which stands for "commercial, industrial, and personal property." You are allowed to have a split tax rate that shifts some of the residential tax burden to the CIP properties. Shutesbury always has maintained a single tax rate.

The single tax rate is calculated by dividing the tax levy by the total assessed valuation, and then multiplying that number by 1,000. That's \$5,303,264 divided by \$242,944,116 times 1,000, which works out to a Fiscal Year 2022 tax rate of \$21.82 per thousand dollars of valuation. This is a \$0.79 decrease from the Fiscal Year 2021 tax rate of \$22.61.

The average single-family home value has risen from \$250,434 in FY21 to \$269,151 in FY22 – a 7.5% increase. By the way, the value of an average single-family home value is calculated by dividing the total value of all single-family homes (\$201,594,118) by the number of single-family homes (749).

The following chart indicates how FY22 compares to FY21 and FY20:

FY22 Average Single-Family Home Value \$269,511	FY21 Average Single-Family Home Value \$250,434	FY20 Average Single-Family Home Value \$248,448
FY22 Tax Rate \$21.82	FY21 Tax Rate \$22.61	FY20 Tax Rate \$24.04
Difference from Previous Year (\$0.79)	Difference from Previous Year (\$1.43)	Difference from Previous Year \$0.78
Property Taxes \$5,880.73	Property Taxes \$5,662.31	Property Taxes \$5,972.69

Tonight...

Your first decision is whether to shift the CIP's share of the tax burden up to 150%. Any reduction of the residential tax burden by increasing taxes paid by the CIP classes will result in an enormous impact on the CIP rate with little relief in the residential rate.

This would increase the tax rate and property taxes for:

- Small businesses, of which there are more than a dozen in town,
- Owners of the approximately 130 second homes in town, primary in the Lake Wyola area,
- Electric utilities National Grid and Eversource, and
- The owners of the 125 or so parcels of Chapter 61 forestry, agricultural and open space/recreation land.

Because Shutesbury traditionally does not have a split tax rate, I am not providing any examples, such as shifting the CIP categories by 1%, 10% or 25%.

Your second decision is whether to offer an open space discount of up to 25% of the value. This option is not available because there is no open space classified land in Shutesbury.

Your third decision is whether to allow a residential exemption which would allow up to 20% of the average assessed value of residential properties used as the principal residence of the owner. (In other words, they own a second home.) There only a handful of communities in Massachusetts that adopted this exemption last year, and they are mostly along the Atlantic Ocean coast. Shutesbury has never adopted this exemption.

Finally, there is an option to exempt up to 10% of the value of small commercial parcels occupied by small businesses employing 10 or fewer people and the value of the property

is less than \$1 million Only 14 communities in Massachusetts have adopted this exemption.

For your information, the Excess Levy Capacity for Fiscal Year 2021 is \$536,996.00 (DoR Form LA-5). (For FY21, that number was \$571,919.41.) This levy capacity means the town could have raised this money through property taxes, but chose not to do so. Had you raised this additional amount of money through taxes, the single tax rate would have been \$24.03 per thousand dollars of valuation – or \$2.21 higher than the \$21.82 rate.

Suggested Motions

1. I move that the Select Board vote to establish a residential factor of 1, meaning a single tax rate, for Fiscal Year 2022.
2. I move that the Select Board vote not to adopt an Open Space Discount for Fiscal Year 2022.
3. I move that the Selectboard vote not to adopt a Residential Exemption for Fiscal Year 2022.
4. I move that the Selectboard vote not to adopt a Small Commercial Exemption for Fiscal Year 2022.