

Tax Classification Hearing
November 24, 2020

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 2021.

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 2021 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 2021 tax levy is \$5,110,305. Second is the total valuation of property in town. For Fiscal Year 2021, the total assessed value of all property in Shutesbury is \$225,990,400.

That valuation is \$5,980,430 higher – a 2.7% increase – over Fiscal Year 2020's valuation of \$220,009,970.

In calculating new residential values for Fiscal Year 2021, we studied all single-family residential property sales for the calendar year from January 1, 2019 through December 31, 2019. Due to small sample sizes, we studied the sales of all other residential property for two calendar years, from January 1, 2018 through December 31, 2019.

Overall, Residential values rose by \$2,525,029 to \$213,174,059. This 1.2% 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 in calendar year 2020 will be reflected in the Fiscal Year 2022 valuations.

Other significant value changes from Fiscal Year 2020 to Fiscal Year 2021 were:

- A \$30,490, or 5.3%, decrease in Industrial values: This is solely due to now valuing the Wheelock solar farm land not as unbuilt land, but based on the lease prices that Next Era is paying to W.D. Cowls. After this initial drop, the valuation will rise each year during the life of the lease.
- A \$3,471,550, or 49.5%, increase in Personal Property values: \$1,621,543 of that total comes from increases in values for National Grid, Eversource and Verizon; \$395,175 comes from the batteries installed at the "Wheelock property" solar farm; and, and \$203,300 comes from increased values found during Phase I of our ongoing Personal Property audit. The Department of Revenue wants this audit completed by Fiscal Year 2023.

Getting back to setting the tax rate:

Shutesbury's property tax base this fiscal year is 94.3% residential property. The remaining 5.7 percent 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. This works out to a Fiscal Year 2021 tax rate of \$22.61 per thousand dollars of valuation. This is a \$1.43 decrease from the Fiscal Year 2020 tax rate of \$24.04.

At the June 27, 2020 Annual Town Meeting and the September 5, 2020 Special Town Meeting, Shutesbury's voters approved using \$220,000 of Free Cash to lower the tax rate. The one-time use of Free Cash accounts for \$0.97 of the property tax decrease. Without that one-time transfer, the new tax rate would have been \$23.58, or only a \$0.46 decrease.

It is important to remember that this use of Free Cash is for one fiscal year only, to lower taxes as Shutesbury's residents deal with the economic effects of the COVID-19 pandemic. This means the tax rate will go back up in Fiscal Year 2022.

Also, Shutesbury's percentage of residential property declined by 1.48% from Fiscal Year 2020 to Fiscal Year 2021. This drop is attributable to the growth in personal property valuation. A major segment of this increase is the additional \$471,173 in value from the "Wheelock property" solar farm and storage batteries. Such installations, once the temporary aggravation during construction ends, consume nothing in town services while providing growth in the town's tax base and a lowering of the percentage – however slight – paid by homeowners.

For example, if the initial PILOT payment figure AMP discussed with town officials earlier this year for its four proposed solar farms were a reality and 100% of the payment used to lower the tax rate, the Fiscal Year 2021 tax rate would be \$16.62 per thousand valuation – a \$7.42 decrease in the tax rate.

FY21 Average Single-Family Home Value \$250,434	FY2020 Tax Rate \$24.04	FY21 Tax Rate \$22.61	FY21 Tax Rate with AMP PILOT \$16.62
Property Tax Rate Difference from FY20		-\$1.43	- \$7.42
Property Taxes on \$250,434	\$6,020.43	\$5,662.31	\$4,162.21
Difference from FY20	0	-\$358.12	-\$1,858.22 (\$1,500.10 more than @ \$22.61)

What this example suggests is that to obtain meaningful tax relief, the town needs to understand how such alternative sources of revenue can work to homeowners' benefit. The last page of this document shows the growth in valuation we will receive from the third year of the solar farm PILOT and the first year from the batteries' PILOT.

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
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- The owners of the 123 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 are only 15 communities in Massachusetts – most along the Atlantic Ocean coast – that adopted this exemption last year, Shutesbury has not 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 \$571,919.41 (DoR Form LA-5). This 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 \$25.14 per thousand dollars of valuation – actually \$25.00 due to the state's limit – or \$2.53 higher than the \$22.61 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 2021.
2. I move that the Select Board vote not to adopt an Open Space Discount for Fiscal Year 2021.
3. I move that the Selectboard vote not to adopt a Residential Exemption for Fiscal Year 2021.
4. I move that the Selectboard vote not to adopt a Small Commercial Exemption for Fiscal Year 2021.

Fiscal Year 2021 Tax Classification Hearing

FY21 Property Values by Class		
Class	Value	%
Residential	\$213,174,059	94.3288
Open Space	\$0.0000	0.0000
Commercial	\$1,786,981	0.7907
Industrial	\$540,610	0.2392
Personal Property	\$10,488,7500	4.6413
Total	\$225,990,400	100.0000

Combined Class Percentages	%
Residential/Open Space	94.3288
CIP	5.6712

Fiscal Year 2021 Tax Classification Hearing

FY20 to FY21 Property Value Changes			
Class	FY 2020 Value	FY 2021 Value	Change
Residential	\$210,649,030	\$213,174,059	+1.20%
Open Space	0	0	0.00%
Commercial	1,772,640	1,786,981	+0.81%
Industrial	571,100	540,610	-5.34%
Personal Property	7,017,200	10,488,750	+49.47%
Total	\$220,009,970	\$225,990,400	+2.72%

Combined Class Percentages	FY2020 %	FY 2021 %	% Change FY20 to FY21
Residential/Open Space	95.75	94.33	-1.48%
CIP	4.25	5.67	+33.41%

Solar PILOT Value Increases for Fiscal Year 2022

PILOT for...	FY22 Added Value	PILOT Payment
Wheelock Solar Farm	\$437,165	\$76,804.00
Wheelock Batteries	\$54,386	\$9,737.50

New Growth for...	FY22 Added Value	Property Tax Increase
Parcel ZG-2 (Wheelock)	\$1,710	\$38.66

Total Additional Value: \$493,261.00

Total FY22 Revenue: \$86,580.16

Total New Revenue in FY22 (versus FY21): \$2,104.16