

Fiscal 2021 Classification Hearing

November 17, 2020

Purpose

- Every year by statute the Board of Selectmen must decide if they want to split the tax rate among the classes of properties. Adopting a residential factor of 1 would ensure a uniform (single) tax rate across all classes of property.
- It is the responsibility of the Board of Assessors to provide the Board of Selectmen with relevant information regarding the fiscal effects of splitting the tax rate.
- Correct the misconception that splitting the rate will increase the amount of money the Town can levy/raise/generate.

Tax Rate

Uniform (Single) or Split Tax Rate Municipalities must decide whether (1) to tax all classes of property at their full and fair cash valuation share of the tax levy, which results in a single tax rate, or (2) to reduce the share of the tax levy paid by the residential property owners and shift those taxes to commercial, industrial and personal property taxpayers, which results in a split tax rate.

Residential Factor

Adopting a residential factor of “1” will result in the taxation of all property at the same (TAX) RATE.

A residential factor of less than “1” reduces the share of the tax levy paid by the Residential properties and increases the share paid by the CIP classes. The result is two tax rates: one for Residential properties and a second, higher rate for CIP properties.

Analysis of Surrounding Towns' FY20 Tax Rates:

Town	Res. Rate	CIP Rate	Residential %
Dover	12.84	12.84	97.1609
Norfolk	18.64	18.64	93.0466
Millis	20.14	20.14	91.2035
Sherborn	19.46	19.46	95.7459
Walpole	14.99	19.94	83.3559
Westwood	14.51	28.22	74.0825
Medfield	17.83	17.83	94.3709

History of Tax Rates in Medfield

Historically Medfield has always maintained a uniform (single) tax rate. Shifting the tax rate would significantly increase the taxes for the CIP properties, while the Residential properties would only benefit from a small savings. The main reason for this is that the CIP properties represent a very small percentage of the Town's Taxable Value.

Overall Scenario

Commercial/Industrial/Personal Properties
projected share of the tax levy: \$2,835,372

Last Year's CIP share = \$2,791,945

With a 10% shift \$3,118,909 tax dollars would be
paid by CIP

With a 25% shift \$3,544,215 tax dollars would be
paid by CIP

With a 50% shift \$4,253,058 tax dollars would
be paid by CIP

Individual Scenario

For a \$690,000 home & commercial property based on an estimated tax rate of \$17.76:

	Residential	Commercial
	\$690,000	\$690,000
Single rate	\$12,254	\$12,254
10% shift	\$12,179	\$13,479
Difference	(\$75)	+\$1,159
25% shift	\$12,068	\$15,318
Difference	(\$186)	+\$3,064
50% shift	\$11,889	\$18,381
Difference	(\$365)	+\$6,127

Historical Commercial/ Industrial/ Personal Data:

<u>Year</u>	<u>CIP%</u>	<u>Tax Dollars</u>	<u>Tax Levy</u>	<u>\$Tax Rate</u>
2016	5.4950	\$2,287,440	\$41,627,344	\$16.75
2017	5.4753	\$2,339,247	\$42,723,595	\$16.89
2018	5.6566	\$2,487,906	\$43,982,483	\$17.03
2019	5.4694	\$2,621,438	\$47,928,863	\$17.87
2020	5.6291	\$2,791,945	\$49,598,590	\$17.83
2021	5.5862	\$2,835,372	\$50,753,430	\$17.76

Residential Category Single Family Averages

<u>Year</u>	<u>SFA Value</u>	<u>Tax \$</u>
2016	615,500	\$10,310
2017	623,400	\$10,530
2018	634,700	\$10,809
2019	658,400	\$11,766
2020	676,500	\$12,062
2021	692,400	\$12,297

Vote

Adopting a residential factor of “1” will result in the taxation of all property at the same rate (single/uniform tax rate).