



Town of Rehoboth

Override Impact Seminar

July 9th, 2018

7pm – Council On Aging Building

<https://bit.ly/Override2018>

PURPOSE OF THIS PRESENTATION

- **Explain how property taxes are calculated**
- **Discuss types of Proposition 2 ½ overrides**
- **Illustrate the estimated impact of the July 17th override**
- **Show the types of property tax relief available to taxpayers**

WHAT THIS PRESENTATION IS NOT

- **Is not a pro or anti-override presentation**
- **Not a debate on whether the override is needed or not needed**
- **Does not speculate on what may or may not happen if the override vote fails**
- **Questions will be limited solely to the content of slides**

WHAT ARE PROPERTY TAXES?

Property taxes are a tax on real estate and other personal property, calculated by a local government, paid by the owner of the property. The tax is usually based on the assessed value of the owned property, including land. The local governing body (e.g. Town Meeting) will use the taxes to fund various government services, and other items deemed necessary.

WHAT ARE PROPERTY TAXES?

Property taxes are Rehoboth's principal source of "income" from which we pay our operating expenses. They represent 74% of the town's total generated revenue.



DEFINITIONS

Tax Levy

EQV / “Tax Base”

Tax Rate

Assessed Value

TAX LEVY

The “tax levy” is the amount Rehoboth raises through real and personal property taxes. Each year, the amount to be raised must be determined in accordance with Proposition 2½.

The amount the tax levy may be, allowable under the law, in a given year is referred to as the “levy limit”.

Any difference between the levy limit and what a municipality actually levies in tax is referred to as “excess levy capacity”.

TAX LEVY

The “levy limit” should not be confused with the “levy ceiling” (which we will talk about in a few slides)

Rehoboth’s annual tax levy is usually 100% of the levy limit. We do not have any significant excess levy capacity.

In Fiscal Year 19 (starting July 1, 2018), Rehoboth’s property tax levy (excluding debt/capital exclusions) is estimated to be \$21,427,940

EQUALIZED VALUATION (EQV)

Equalized Valuation is the determination of an estimate of the full and fair cash value (FFCV) of all property in the Town of Rehoboth as of a certain taxable date.

In plain English: “The value of all property in the Town added together.” Sometimes called the “tax base”.

In FY19, Rehoboth’s EQV is estimated to be \$1.863B, a modest 1.2% increase over FY18’s \$1.822B

EQUALIZED VALUATION (EQV)



Rockhoboth EQV = \$3,200,000

TAX RATE

- **The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$11.97 per \$1,000 of assessed valuation of taxable real and personal property.**
- **A community calculates its tax rate annually by filling out a “Tax Recapitulation Sheet” provided as an Excel spreadsheet by the Massachusetts DOR.**

TAX RATE

- **Some communities have a “split tax rate”, where there are separate rates for residential and commercial property – shifts some of the tax burden onto the commercial property owners.**
- **92% of Rehoboth’s tax levy comes from residential properties, only 8% of the property in town is commercial, and many of those are small farms.**

TAX RATE

For purposes of our presentation this evening, we are going to simplify the explanation and speak in round, rough numbers, since the FY19 Tax Recap sheet will not be completed and an official tax rate set until Fall 2018.

$$\text{FY18 Tax Rate} = \frac{\text{Tax Levy}}{\text{EQV}} = \frac{\$21,817,610}{\$1,822,690,885} = \$11.97$$

TAX RATE

Fallacies

A community's tax rate decreases (not taking into account debt exclusions dropping off the tax rate) when the relative rate of the value of property which is being added to the tax base (EQV) increases at a higher rate than the annual Prop 2 ½ increase the town gets year over year.

e.g. if the tax levy increases 2.5%, but the EQV increases 3%, the tax rate will drop year-over-year, as the divisor grows larger than the dividend... Math 101.

TAX RATE

Realities

- It is possible an override could pass, raising our tax levy, yet our “tax rate” would still decrease, because of a large(r) increase in our tax base.
- This isn’t very probable (but a possibility given we’re entering a revaluation cycle), and illustrates why the “tax rate” of a community is the wrong metric to focus on.
- The actual metric to focus on is the town’s tax levy, which is the amount it brings in annually from property taxes.

PROPERTY TAXES 101

So.....

Now we know what the terms “tax levy”, “tax base/EQV”, and “tax rate” mean....

How does our tax bill actually get computed?

ASSESSMENT / ASSESSED VALUE

- The missing piece of the puzzle is your “assessment”.
- Your “assessed value” is the dollar value assigned to your property by the Town Assessor to measure your “share” of applicable taxes.
- Assessed valuation determines the value of property for tax purposes and takes comparable property sales and inspections into consideration.
- The sum of everyone’s assessment is the EQV/Tax base of the town.

ASSESSMENT / ASSESSED VALUE

Your Assessed Value

$$\text{Your tax bill} = \frac{\text{-----}}{1,000} \times \text{Tax Rate Per \$1,000}$$

ASSESSMENT / ASSESSED VALUE

Massachusetts Division of Local Services lists the “average single family home” in Rehoboth as having an assessed value of \$384,515 in FY18. Our FY18 tax rate is \$11.97 per \$1,000

$$\text{Tax Bill} = \frac{\$384,515}{1,000} \times \$11.97 = \$4,602.65$$

The tax bill for an “average single family home” in Rehoboth, in FY18, is \$4,603 (rounded up).

PROPOSITION 2½

Proposition 2½ (MGL c59 § 21C) is a law which took effect in 1982 limiting property tax and automobile excise tax levies by municipalities.

- Limits the annual property tax levy increase to 2.5%.**
- Sets the maximum property tax levy at 2.5% of the town's EQV (also known as the "levy ceiling" – Rehoboth's levy ceiling in FY18 was \$45.6m)**

PROPOSITION 2½

**Does this mean my property taxes can only
go up 2 ½% per year?**

NO!

PROPOSITION 2½

Prop 2 ½ applies to the town's tax levy as a whole, not to each individual taxpayer's tax bills.

Remember: Your assessed value (as a percentage of the Town's total tax base) represents your "share" of the town's tax levy. Even if your assessment doesn't change, your neighbors' assessments may (go up, or go down) which changes the relative percentage of your assessment as it relates to the whole.

PROPOSITION 2 ½



Tax Levy = \$60,000
EQV = \$3,200,000

Rockhoboth Tax Rate:
\$18.75 per \$1,000

PROPOSITION 2 ½



Tax Levy +8.3% = **\$65,000**
EQV +9.375% = **\$3,500,000**

Rockhoboth Tax Rate:
\$18.57 per \$1,000

PROPOSITION 2½

A municipality may opt to increase its tax levy by more than 2.5% annually. There are three ways to do this:

- **Debt Exclusion** -- **Temporary, multi-year**
- **Capital Outlay Exclusion** -- **Temporary, 1 year**
- **Override** -- **Permanent**

PROPOSITION 2½

The tax levy may never be increased above 2.5% of the town's EQV (levy ceiling).

In FY18, the town's levy ceiling was \$45.6m.

Based on the FY18 tax levy of the town, this means the town has an “override capacity” of \$24m.

PROPOSITION 2½

If the town's tax levy was equal to its levy ceiling our tax rate would be \$25 per \$1,000. The "average single family home" would pay an annual property tax of \$9,600.

The annual tax levy increase would be \$1.14m (2.5% of \$45.6m)... far less than the \$1.9m overall increase in the town and school budgets for FY19.

DEBT EXCLUSION

A debt exclusion increases the amount of property tax revenue a community may raise for a limited or temporary period of time in order to fund a specific capital project, i.e. 20 years.

Once the capital project is paid off, the tax increase which was added to your bill for that project drops off your tax bill.

DEBT EXCLUSION

As these projects are spread out over a period of several years or decades, the effects on your tax bill may be quite small.

Debt exclusions are not used in the calculation of the annual 2.5% levy limit increase communities are allowed by law.

DEBT EXCLUSION

For example, in 2018 the Town passed a debt exclusion for \$1.95 million to replace the roof at the high school. Expected term of the bond is 20 years.

**Tax impact = \$1.95m / 20 years = \$97,500 + 3% interest
= ~\$100k/annually**

DEBT EXCLUSION

The town's tax levy in FY18 was ~\$21m. \$100k is appx. ½ of 1% of the tax levy, so the annual impact for a typical single-family house owner would be \$23 (based on \$4,603 tax bill previously mentioned). At the end of the 20 year term of the note, the \$23 would fall off the tax bill.

CAPITAL EXCLUSION

A capital outlay expenditure exclusion is similar to a debt exclusion, but is designed to be used for small(er) scale projects where the term is only one year.

Taxes are increased by the amount of the capital exclusion for a year, and then come off the tax bill the following year.

A capital exclusion can only be used to fund purposes, specified in MGL Ch. 44 Sec. 7 and Sec. 8, for which a community may incur debt.

DEBT/CAPITAL EXCLUSIONS

Debt exclusions currently passed (on your tax bill) by the Town:

- **DRRHS (Building)**
- **DRRHS Roof Replacement (takes effect 2019)**
- **BMS Roof Replacement**
- **PRS Roof Replacement**
- **BMS/PRS Window replacement**

Capital exclusions currently passed by the Town:

- **DRRSD Fiberoptic network (FY18 only, drops off FY19)**

OVERRIDE

An override is a permanent increase in the tax levy for any municipal spending purpose. It is most often used when additional revenue is sought to fund an annual operating budget.

For this reason, this type of increase is sometimes referred to as an “operational override”, as the increase is earmarked to pay operating expenses, not capital costs.

OVERRIDE

Once approved, the override amount becomes a permanent part of the levy limit. The (increased by the override) levy limit then increases by 2 ½ percent each year after the override's approval.

OVERRIDE

	Without Override	With \$2.1m Override
Property Tax Levy, FY19	\$21,427,940	\$23,543,932
FY19 Proposition 2 ½ increase	\$535,699	\$535,699
Estimated Tax Levy, FY20	\$21,963,639	\$24,079,631
FY20 Proposition 2 ½ increase	\$549,091	\$601,990
Estimated Tax Levy, FY21	\$22,512,730	\$24,681,621
FY21 Proposition 2 ½ increase	\$562,818	\$617,041

As illustrated, an override gives a “one time” permanent increase in the tax levy and then subsequent years are limited by the 2.5% levy limit increase (on the higher tax levy approved by the voters.) It does not mean the levy can increase unrestricted in future years.

OVERRIDE

Rehoboth has never passed an operational override.

Last attempt was in 2015, due to an increased assessment from the school system that left the town budget short by \$1.65m.

With 37% of registered voters participating in the special election in July 2014, the question was defeated by a margin of 303 votes.

Town made up the difference by a combination of reducing services, using cash reserves, and aggressively increasing income projections.

JULY 2018 OVERRIDE IMPACT

On July 17th voters will be asked to approve an operational override in the amount of \$2,115,992, to fund an above-net-minimum appropriation of \$3,286,829 for the DR Regional School System, for a total appropriation of \$17,958,791

JULY 2018 OVERRIDE IMPACT

The estimated tax levy in FY19 is \$21,427,940

The override request represents a 9.875% increase in the estimated FY19 levy:

$$\text{\$2,115,992} \div \text{\$21,427,940m} = .09875$$

JULY 2018 OVERRIDE IMPACT

Due to how tax bills are computed (the numerous “moving pieces” present in the calculation, e.g. annual tax levy, EQV, your assessment, the relation of your assessment to that of everyone else, etc.) it is impossible to accurately predict the precise impact an override vote will have on an individual’s tax bill.

JULY 2018 OVERRIDE IMPACT

The best we can do is provide an 'estimate' based upon 'all things being equal' as of today.

It is important to remember the actual impact might be higher, or lower, than the estimate, based on individual circumstances.

JULY 2018 OVERRIDE IMPACT

Estimated Impact on “typical single family homeowner”

	Amount	%
FY18 Property Tax Bill:	\$4,603	
Less Capital Exclusion:	(\$20)	(0.500%)
Annual Prop 2 ½ Increase:	\$115	2.500%
DRRHS Roof Bond:	\$23	0.500%
Pre-Override Sub-total:	<u>\$4,721</u>	<u>2.500%</u>
Requested Override:	\$453	9.875%
Total Estimated FY19 Tax Bill:	<u>\$5,174</u>	<u>12.375%</u>

JULY 2018 OVERRIDE IMPACT

“Preliminary” tax bills for FY19 are mailed at the beginning of July, with a due-date of August and November. Preliminary bills are based on your prior fiscal year’s tax bill. They will not contain the cost of the override.

“Actual” tax bills for FY19 are mailed in January for payment in February and May. The “actual” tax bill will contain the override amount (if it passes).

JULY 2018 OVERRIDE IMPACT

Important to remember this because the override impact will only appear on the last two tax bills of the year, rather than spread out over all four. e.g:

“Average Single Family” Homeowner will receive “preliminary” tax bills for \$1,105.75 due in August and November (\$2,301.50 total)

JULY 2018 OVERRIDE IMPACT

When Override passes, “new” tax bill will be \$5,174.

February & May Tax bills will be: \$1,436.25/ea (\$2,972,50 total)

$$\text{\$5,174} - \text{\$2,301.50} = \text{\$2,972.50} \div 2 = \text{\$1,436.25}$$

For those with mortgage escrow accounts, this may impact your escrow balance.

PROPERTY TAX RELIEF

There are several options available to homeowners to help provide relief from property tax increases which may cause a financial hardship. They include:

- **Abatements**
- **Exemptions**
- **“Work Off” programs**

ABATEMENTS

An abatement is a reduction in the amount of a committed tax. It is a remedy for taxpayers who feel their property's "assessed value" is overvalued, disproportionately assessed, misclassified, or subject to a statutory exemption.

ABATEMENTS

- **Taxpayer files an application with the Assessors containing the reason for requesting an abatement.**
- **Assessors have three months from the date they receive an abatement application to grant or deny an abatement**
- **Must be filed on the basis on the value of the actual tax bill, not the preliminary**

EXEMPTIONS

An exemption discharges a taxpayer from the legal obligation to pay all or a part of the tax assessed for the fiscal year. Exemptions are found in various clauses of Massachusetts General Laws.

There are exemptions for senior 70 and older, blind, surviving spouses and the veterans.

EXEMPTIONS

The senior 70 and older exemption is based on their income and assets. It is not automatic and they must file an application each year in order to receive the exemption.

The blind must be legally blind with a certificate of blindness from the Commission for the Blind.

EXEMPTIONS

A veteran must have at least a 10% service connected disability with a certificate from the United States Department of Veterans Affairs or branch of service.

There is also the Community Preservation Act (CPA) exemption. This 1% exemption is based on the total family income.

EXEMPTIONS

Not every exemption has been adopted by the Town

Check with the Assessor's Office!

Qualification terms and conditions vary for each exemption

Check with the Assessor's Office!

EXEMPTIONS

Taxpayers must usually file an application for each fiscal year. The application are due on various dates.

Check with the Assessor's Office!

Generally a taxpayer only qualifies for one exemption: if s/he qualifies for multiple, s/he receives the one of highest value.

Check with the Assessor's Office!

“WORK OFF” PROGRAMS

Senior Citizen Property Tax Work-Off Abatement Program

VALOR Act II

(Veterans’ Allowances, Labor, Outreach and Recognition)

SENIOR CITIZEN PROPERTY TAX WORK-OFF ABATEMENT PROGRAM

It is administered by the Rehoboth Council on Aging.

The program allows property owners (or spouses) age 65 or older the opportunity to volunteer services to the town in exchange for a reduction in property tax of up to \$500. The town keeps track of hours worked (up to 46 @ \$11/hr)

SENIOR CITIZEN PROPERTY TAX WORK-OFF ABATEMENT PROGRAM

Participants may be asked to do various tasks, supervised by Town employees, based on the needs of Town departments. The value of the work is NOT subject to state taxes but is subject to federal withholding, and is credited against their property tax obligations

Contact the COA for more information about program terms, eligibility, etc.

VALOR ACT II

Gives veterans in town the opportunity to work up to 46 hours (@\$11/hr) for a maximum credit against their property tax bill.

Functions similar to the Senior program (e.g. participants may be asked to perform various tasks under the supervision of Town employees) but at the moment participants perform various services assisting other veterans in Town.

Contact the Veteran's agent for program terms and conditions.

QUESTIONS?

Topic	Who to Contact?	Phone #	Email address
Town Budget	Michael P. Deignan Fincom Chair	401-556-5062	Michael.P.Deignan@gmail.com
School Budget	Anthony Azar DRRSD Superintendent	508-252-5000	aazar@drregional.org
Override vote process	Laura Schwall Town Clerk	508-252-6502	lschwall@town.rehoboth.ma.us
Your property assessment, tax bill, exemptions & abatements	Assessor's Office	508-252-3352	assessors@town.rehoboth.ma.us
Paying your tax bill	Cheryl Gouveia Town Collector	508-252-3571	cgouveia@town.rehoboth.ma.us
Senior "work off"	Linna Sherman COA Director	508-252-3372	lsherman@town.rehoboth.ma.us
VALOR Act II	Jake Kramer Veteran's Agent	508-252-4467	veterans@town.rehoboth.ma.us
General question/ Not sure?	Town Administrator's Office	508-252-3758	hdennen@town.rehoboth.ma.us

FURTHER READING/ACKNOWLEDGEMENTS

<https://www.mass.gov/files/documents/2016/08/oq/levylimits.pdf>

<https://www.mass.gov/lists/property-tax-forms-and-guides>

<https://www.mass.gov/files/documents/2017/09/09/overridesandexclusions.pdf>

Thanks to:

**Doug Furtado
Sue McBride
Linda Greaves
Linna Sherman**

**Martin D'Amico
George Solas
Gerry Schwall
Jake Kramer**



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