

Fiscal Year 2023 Town of Truro Tax Rate Classification Hearing

A Review of the Fiscal Year 2023
Property Tax Levy and Classification Options



September 13, 2022

Assessed Values

Truro realized a growth in overall property value of 24.6% for Fiscal Year 2023 as a result of a robust real estate market.

The FY2023 property values are based on the sales in calendar year 2021.

Class	FY2023 Value	FY2022 Value	Change	%
Residential	2,921,657,092	2,340,501,343	581,155,749	24.8
Commercial	113,349,168	97,880,297	15,468,871	15.8
Industrial	1,938,400	1,767,800	170,600	9.7
Personal	43,486,920	32,294,720	11,192,200	34.7
Total	3,080,431,580	2,472,444,160	607,987,420	24.6

Review - IMPACT of Increased Values on Tax Rate

- Calculating the Tax Rate is the equation below:

$$\frac{\textit{Amount to Raise through Taxation}}{\textit{Value of Town}} \times 1000 = \textit{Tax Rate}$$

“Amount to Raise through Taxation” = the Property Tax Levy aka “the levy”

- If the levy remains the same and values increase year to year, the tax rate decreases. The amount of a given tax bill stays the same, exclusive of any improvements to the property.
- If the levy remains the same and the values decrease, the tax rate increases. The amount of a given tax bill stays the same, exclusive of improvements.
- If the levy increases more than the value of the Town increases, the tax rate increases. The amount of any given tax bill increases, exclusive of improvements.
- If the levy decreases, and the value stays the same, generally the amount of the average tax bill decreases.

IMPACT of Increased Values on Tax Rate

Hypothetical Example

$$\frac{\textit{Amount to Raise through Taxation}}{\textit{Value of Town}} \times 1000 = \textit{Tax Rate}$$

	Example Raise through Taxation	Example Value	Example Tax Rate
Year 1	\$50,000,000	\$2,750,000,000	\$18.18
Year 2	\$50,000,000	\$3,000,000,000	\$16.67

- In this purely hypothetical example, **value** has increased, **“Amount to Raise”** (aka “the levy”) has stayed the same
- In Year 1, a home valued at \$1,000,000 **pays \$18,182** in Real Estate tax (excluding CPA surcharge)
- In Year 2, that same home is now valued at \$1,090,909 and **pays about \$18,182** in Real Estate tax (excluding CPA surcharge)
- While value has increased, the tax bill has stayed the same.

Impact of Increased Values AND Amount Raised through Taxation on Tax Rate

Example 1 - Fiscal Year 2021

FY21:

$$\frac{\textit{Amount to be Raised}=\$16.8M}{\textit{Value}=2.367B} \times 1000 = \$7.12$$

Assessed Value of the Town: \$2,367,718,390

Total levy: \$16,848,463

Tax Bill Amount of a \$1,000,000 property= \$7,120*

(*without considering Residential Exemption or CPA)

IMPACT of Increased Values AND Raising Through Taxation on Tax Rate

Example 2 Fiscal Year 2022

$$\text{FY22:} \\ \frac{\text{Amount Raised} = \$18.2M}{\text{Value} = 2.472B} \times 1000 = \$7.37$$

Assessed Value of the Town: \$2,472,444,160

Total levy: \$18,231,304.71

Approx. Tax bill amount of \$1,000,000 property = \$7,370*

Value of same property from Example 1 now = \$1,044,230

Tax Bill Amount of Ex 1 property = \$7,696* (8.1% increase Y-o-Y)

(*without considering Residential Exemption)

IMPACT of Increased Values AND Raise Through Taxation on Tax Rate

Example 3 – CURRENT YEAR - Fiscal Year 2023

FY23:

$$\frac{\text{Amount to be Raised}=\$19.2M}{\text{Value}=3.080B} \times 1000 = \$6.24$$

Assessed Value of the Town: \$3,080,431,580 (24.6% increase Y-o-Y)

Total levy: \$19,234,418

Tax Bill Amount of a \$1,000,000 property = \$6,240*

Value of same property from Example 1 now = \$1,301,013

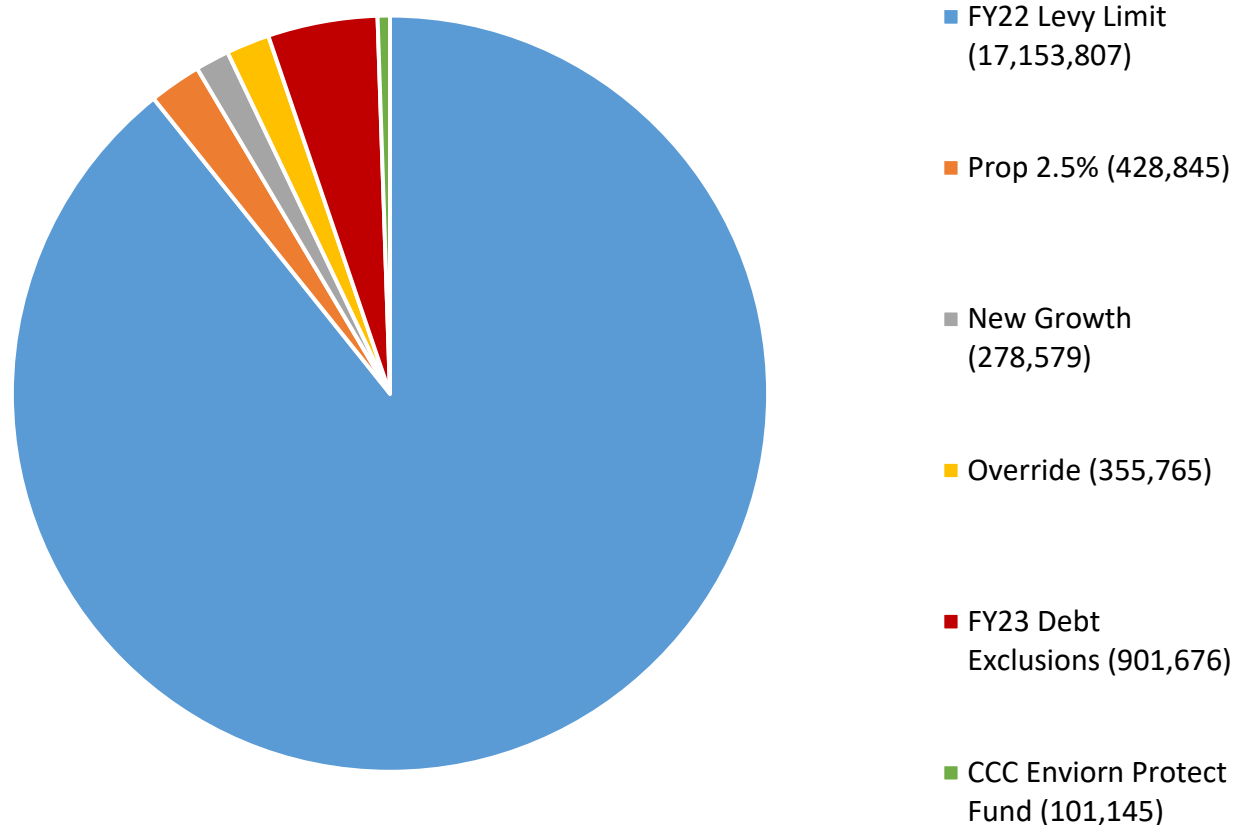
Tax Bill Amount of Ex 1 property = \$8,118* (5.5% increase Y-o-Y)

(*without considering Residential Exemption)

PLEASE NOTE: Tax Rate is Preliminary pending DOR approval

Components of the FY23 Property Tax Levy Include Spending Commitments from Previous Town Meetings

FY23 Maximum Allowable Tax Levy (\$19,219,817)

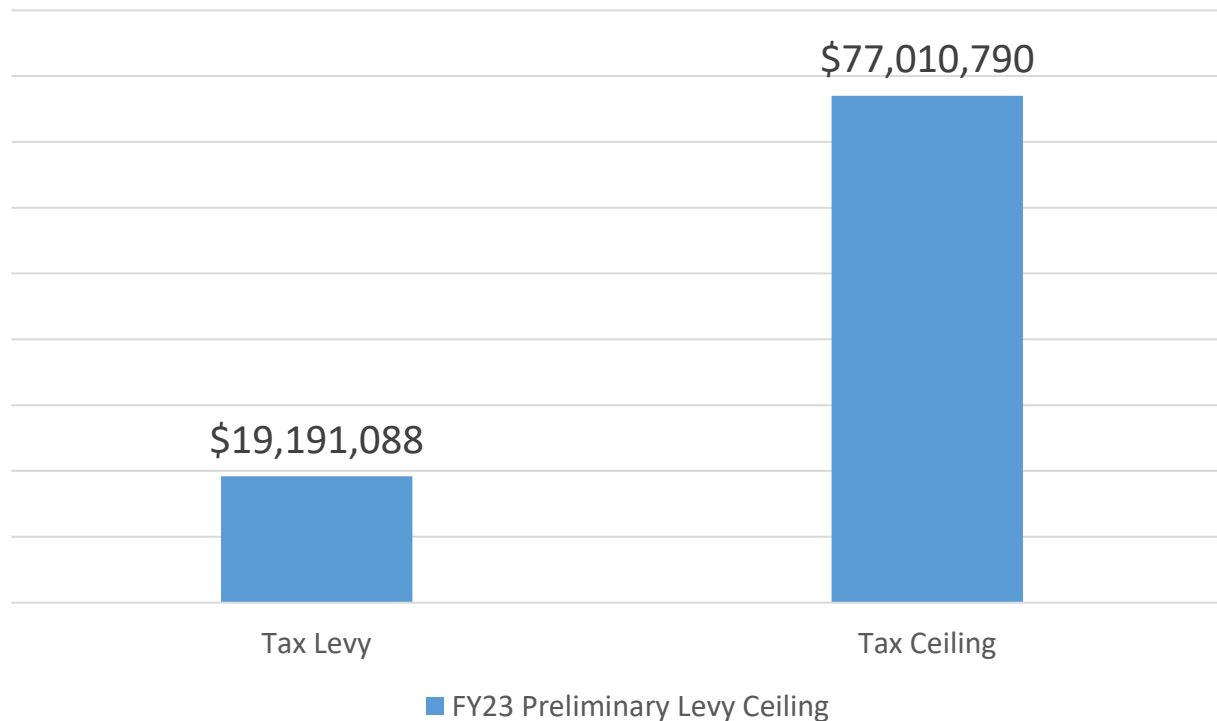


FY23 Preliminary Tax Levy \$19,191,088

FY23 Preliminary Excess Levy Capacity \$28,729

The “Levy Ceiling” is the Legal Limit of the Property Tax Levy

FY23 Preliminary Levy Ceiling



- With vote of Annual Town Meeting, the Town can legally add \$57.7M to its annual Levy
- This would make the tax rate \$25.00 per \$1,000 of value

Tax Levy Options

The Tax Rate can be impacted by the Select Board decisions regarding classification and the residential exemption options.

1. Adopting a Split Tax Rate

2. Open Space Discount

1. Classifying the Tax rate or The “Split Tax Rate” allows for a shift of the tax burden from the residential class of property to the commercial, industrial and personal property classes (CIP).

With our limited Commercial/Industrial base in Truro, splitting the Tax rate is NOT recommended by the Board of Assessors.

2. Open Space Discount. Truro does not have any properties classified as open space by the DOR.

The Board of Assessors recommend to NOT vote to grant an Open Space Discount

Tax Levy Options

The Tax Rate can be impacted by the Select Board decisions regarding classification and the residential exemption options.

3. Small Commercial Exemption

4. Adopting a Residential Exemption

3. The Small Business Commercial Exemption. Would reallocate the tax w/in the Commercial/Industrial Class from smaller companies to larger ones.

With our limited Commercial/Industrial base in Truro, Board of Assessors recommend NOT to grant a Small Business Commercial Exemption.

4. The Residential Exemption allows for the exemption of a portion of the residential value for residents who demonstrate that Truro is their primary domicile. It provides a decrease in the taxable value of qualified residences. The amount of the tax levy paid by the Residential Class remains the same however due to the exempted valuation, it is distributed over less assessed value, resulting in the entire residential class paying a higher tax rate.

The Board of Assessors recommend TO grant a Residential Tax Exemption.

Residential Exemption

This option reduces the taxable assessed value for each qualified primary residence. Truro has 641 qualified properties for FY23 and the result of the adoption would be a higher tax rate for all residential properties.

In FY23 there are 3346 Residential Parcels

Approximately 22% of the eligible Residential parcels receive the Residential Exemption

NOTE: Not all residents who make Truro their primary domicile elect to apply and receive the exemption.

- The Select Board can authorize up to a 35% exemption to Truro residents
- The exemption applied is up to 35% of the total **average** residential parcel value
- The property must be the "primary domicile" of the owner as used for income tax purposes
- This option exempts value **only within** the residential class of taxpayers & does not significantly change the levy amount itself or impact Commercial Industrial or Personal (CIP) property owners
- If continued, Truro would be one of 16 communities out of 351 in MA to adopt in FY22-FY23.

Community	Percentage
Barnstable	20
Boston	35
Brookline	21
Cambridge	30
Chelsea	35
Everett	25
Malden	30
Nantucket	25
Oak Bluffs (New)	4
Provincetown	25
Somerville	35
Tisbury	18
Truro	25 [^]
Waltham	35
Watertown	30 [^]
Wellfleet	25 [^]

EXPANDED RENTAL RESIDENTIAL EXEMPTION

Five(5)Expanded Exemptions Granted in Year 1 (FY22)

Passed At Town Meeting in 2019

Approved by the MA Legislature and Signed into Law Feb 2021

Promotes Year-Round Housing Options rather than Short Term Leasing.

This option reduces the taxable assessed value for each qualified primary residence.

- The Expanded Rental Residential Exemption follows the Residential Exemption and will be implemented at the same rate should the Select Board approve the Residential Exemption program annually. If the Select Board does not approve the Residential Program, the Exemption will not exist.
- Owners renting their home on a year-round basis to **tenants** who as of the Jan 1 prior the Fiscal Year have established the parcel their “Primary Domicile” by ensuring they are on Town’s census list, register their vehicles in Truro, file their taxes at the Truro parcel and provide a copy of the year-round lease covering Jan 1 prior to the Fiscal Year are eligible.
- All exemptions will be in the form of an Abatement off the Tax Bill at the same rate as the Residential Exemption.
- Owners must apply annually to receive the Expanded Rental Res Ex.
- An owner may only receive one Residential or Expanded Rental Residential Exemption per parcel.
- As with all Exemptions, Applications are due on April 1, 2023.

Residential Exemption Calculation

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

The adopted percentage is multiplied by the number of eligible parcels and then the amount is exempted from the Residential Value.

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

Total Residential Value FY2023	\$2,921,657,092
Divided by Total Residential Parcels	3346
Average Residential Value (ARV)	\$873,179

ARV	\$873,179	\$873,179	\$873,179	\$873,179
Exemption %	20%	25%	30%	35%
Exemption Value	\$174,636	\$218,295	\$261,954	\$305,613
Qualified Parcels	641	641	641	641
Residential Value Exempted	\$111,941,676	\$139,927,095	\$167,912,514	\$195,897,933

Residential Exemption Impact on the Tax Rate

Fiscal Year 2023	Without Residential Exemption	With 20% Residential Exemption	With 25% Residential Exemption	With 30% Residential Exemption	With 35% Residential Exemption
Residential Value	\$2,921,657,092	\$2,921,657,092	\$2,921,657,092	\$2,921,657,092	\$2,921,657,092
Value Exempted		(\$111,941,676)	(\$139,927,095)	(\$167,912,514)	(\$195,897,933)
Net Value Taxed	\$2,921,657,092	\$2,809,715,416	\$2,781,729,997	\$2,753,744,578	\$2,725,759,159
Estimated Tax Rate	\$6.24*	\$6.49*	\$6.56*	\$6.62*	\$6.69*

FY22 Tax Rate: \$7.37 Commercial / Industrial & Personal Property Classes
 \$7.73 Residential Class including 25% Residential Exemption

**Approximate until DOR approval*

Fiscal Year 2023 Real Estate Tax Impact of Residential Tax Exemption (RTE)															
Non-RTE Qualifying Residential Property Tax								RTE Qualifying Residential Property Tax							
		Value	Rate w/o RTE	Estimate d Bill w/o RTE	Rate w/ RTE	Estimate d Bill w/ RTE	*Variance (Increase)		Value	Rate w/o RTE	Estimate d Bill w/o RTE	Taxable Value w/ RTE	Rate w/ RTE	Estimated Bill w/ RTE	*Variance (Savings)
20% RTE	\$174,636	500,000	6.24	3,120	6.49	3,245	125		500,000	6.24	3,120	325,364	6.49	2,112	-1,008
		873,179	6.24	5,449	6.49	5,667	218		873,179	6.24	5,449	698,543	6.49	4,534	-915
		1,000,000	6.24	6,240	6.49	6,490	250		1,000,000	6.24	6,240	825,364	6.49	5,357	-883
		1,500,000	6.24	9,360	6.49	9,735	375		1,500,000	6.24	9,360	1,325,364	6.49	8,602	-758
		2,000,000	6.24	12,480	6.49	12,980	500		2,000,000	6.24	12,480	1,825,364	6.49	11,847	-633
		2,500,000	6.24	15,600	6.49	16,225	625		2,500,000	6.24	15,600	2,325,364	6.49	15,092	-508
25% RTE	\$218,295	500,000	6.24	3,120	6.56	3,280	160		500,000	6.24	3,120	281,705	6.56	1,848	-1,272
		873,179	6.24	5,449	6.56	5,728	279		873,179	6.24	5,449	654,884	6.56	4,296	-1,153
		1,000,000	6.24	6,240	6.56	6,560	320		1,000,000	6.24	6,240	781,705	6.56	5,128	-1,112
		1,500,000	6.24	9,360	6.56	9,840	480		1,500,000	6.24	9,360	1,281,705	6.56	8,408	-952
		2,000,000	6.24	12,480	6.56	13,120	640		2,000,000	6.24	12,480	1,781,705	6.56	11,688	-792
		2,500,000	6.24	15,600	6.56	16,400	800		2,500,000	6.24	15,600	2,281,705	6.56	14,968	-632
* Difference between taxes without RTE and taxes with RTE								~ \$4.5M is the value where taxes will be increased even if the exemption is received							
NOTE: ALL TAX RATES ARE APPROXIMATE PENDING DOR APPROVAL															

Fiscal Year 2023 Real Estate Tax Impact of Residential Tax Exemption (RTE)

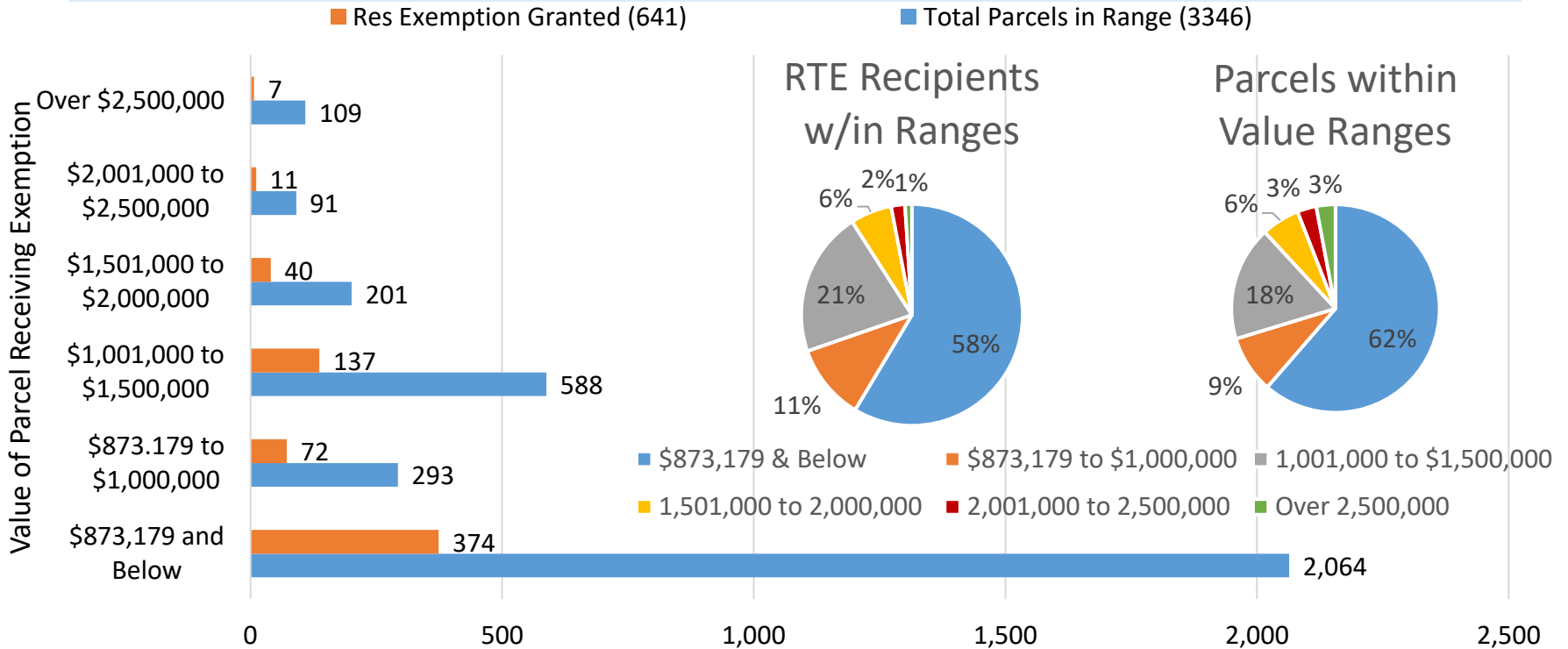
		Non-RTE Qualifying Residential Property Tax						RTE Qualifying Residential Property Tax						
		Value	Rate w/o RTE	Estimated Bill w/o RTE	Rate w/ RTE	Estimated Bill w/ RTE	*Variance (Increase)	Value	Rate w/o RTE	Estimated Bill w/o RTE	Taxable Value w/ RTE	Rate w/ RTE	Estimated Bill w/ RTE	*Variance (Savings)
30% RTE	\$261,954	500,000	6.24	3,120	6.62	3,310	190	500,000	6.24	3,120	238,046	6.62	1,576	-1,544
		873,179	6.24	5,449	6.62	5,780	332	873,179	6.24	5,449	611,225	6.62	4,046	-1,402
		1,000,000	6.24	6,240	6.62	6,620	380	1,000,000	6.24	6,240	738,046	6.62	4,886	-1,354
		1,500,000	6.24	9,360	6.62	9,930	570	1,500,000	6.24	9,360	1,238,046	6.62	8,196	-1,164
		2,000,000	6.24	12,480	6.62	13,240	760	2,000,000	6.24	12,480	1,738,046	6.62	11,506	-974
		2,500,000	6.24	15,600	6.62	16,550	950	2,500,000	6.24	15,600	2,238,046	6.62	14,816	-784
35% RTE	\$305,613	500,000	6.24	3,120	6.69	3,345	225	500,000	6.24	3,120	194,387	6.69	1,300	-1,820
		873,179	6.24	5,449	6.69	5,842	393	873,179	6.24	5,449	567,566	6.69	3,797	-1,652
		1,000,000	6.24	6,240	6.69	6,690	450	1,000,000	6.24	6,240	694,387	6.69	4,645	-1,595
		1,500,000	6.24	9,360	6.69	10,035	675	1,500,000	6.24	9,360	1,194,387	6.69	7,990	-1,370
		2,000,000	6.24	12,480	6.69	13,380	900	2,000,000	6.24	12,480	1,694,387	6.69	11,335	-1,145
		2,500,000	6.24	15,600	6.69	16,725	1,125	2,500,000	6.24	15,600	2,194,387	6.69	14,680	-920

* Difference between taxes without RTE and taxes with RTE

~ \$4.5M is the value where taxes will be increased even if the exemption is received

NOTE: ALL TAX RATES ARE APPROXIMATE PENDING DOR APPROVAL

FY23 Residential Exemptions Granted & Number of Parcels in Each Value Class



Average Residential Parcel FY23-\$873,179

- In FY18 through FY21 the Truro Select Board elected to adopt a 20% Residential Exemption. FY22=25%
- If adopted-58% of FY23's Residential Exemptions will go to residents at or below the FY23 Average Home value in Truro of \$873,179.
- Expanded Rental RTE-FY22= 5 Recipients (not included)

- **Number of Residential Exemptions Granted:**
 - **FY18-551**
 - **FY19-589**
 - **FY20-589**
 - **FY21-615**
 - **FY22-646**

Summary of the Board of Assessors Recommendations

At their meeting on August 30, 2022, the Board of Assessors voted to:

1. Recommend to vote a Residential Factor of “1” – i.e., NOT to split the tax rate which would shift a % of the Tax Rate from Residential to Commercial.
2. Recommend NOT to grant an Open Space Discount
3. Recommend NOT to grant a Small Business Exemption w/in the commercial class.
4. Recommend TO grant a Residential Exemption at a rate to be determined by the Select Board.

APPENDIX

Fiscal 2023 Tax Levy

The levy limit is increased by any voter approved capital and/or debt exclusions and other special assessments.

New Growth for FY23 is \$278,579, an increase of (97%) over FY22

*=Preliminary as not yet approved by the DOR

Description	Amount
Fiscal Year 2023 Levy Limit	\$17,861,231
Approved Overrides	\$355,765
Approved Debt Exclusions	\$1,021,431*
Fiscal Year 2023 Capital Expenditure Exclusions	\$0*
Fiscal 2023 Cape Cod Commission Assessment-Environ. Fund Protect. Tax	\$101,145
Fiscal 2023 Maximum Allowable Levy	\$19,339,572*
FY2023 Preliminary Tax Levy	\$19,234,417*
FY23 Preliminary Excess Levy Capacity	\$105,155*
Fiscal Year 2023 Levy Ceiling	\$77,010,790

Growth Rate in Residential Values FY20-FY23

