

Fiscal Year 2019 Town of Truro Tax Rate Classification Hearing

A review of the Fiscal year 2019 Property Tax levy
and Classification options



September 25, 2018

Assessed Values

The Town realized a growth in overall property value of 4.5% in fiscal year 2019 as a result of an improving real estate market and new property growth. The 2019 residential property values are based on calendar year 2017 sales data.

| Class | FY18 Value | FY19 Value | Change | % |
|--------------|----------------------|----------------------|-------------------|------------|
| Residential | 2,041,978,186 | 2,135,534,611 | 93,556,425 | 4.6 |
| Commercial | 95,488,594 | 97,934,419 | 2,445,825 | 2.6 |
| Industrial | 1,693,700 | 1,711,800 | 18,100 | 1.1 |
| Personal | 27,115,300 | 27,633,210 | 517,910 | 1.9 |
| Total | 2,166,275,780 | 2,262,814,040 | 96,538,260 | 4.5 |

Fiscal 2019 Tax Levy

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

| Description | Amount |
|--|--------------|
| Fiscal 2019 Levy Limit | \$15,496,934 |
| Approved Debt Exclusions | \$632,828 |
| Fiscal 2019 Capital Expenditure Exclusion | \$250,000 |
| Fiscal 2019 Cape Cod Commission Assessment | \$94,714 |
| Fiscal 2019 Maximum Allowable Levy | \$16,474,476 |

Tax Levy Options

The Tax Rate can be impacted by the Board of Selectman 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 to vote to grant an Open Space Discount

Tax Levy Options

The Tax Rate can be impacted by the Board of Selectman 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.

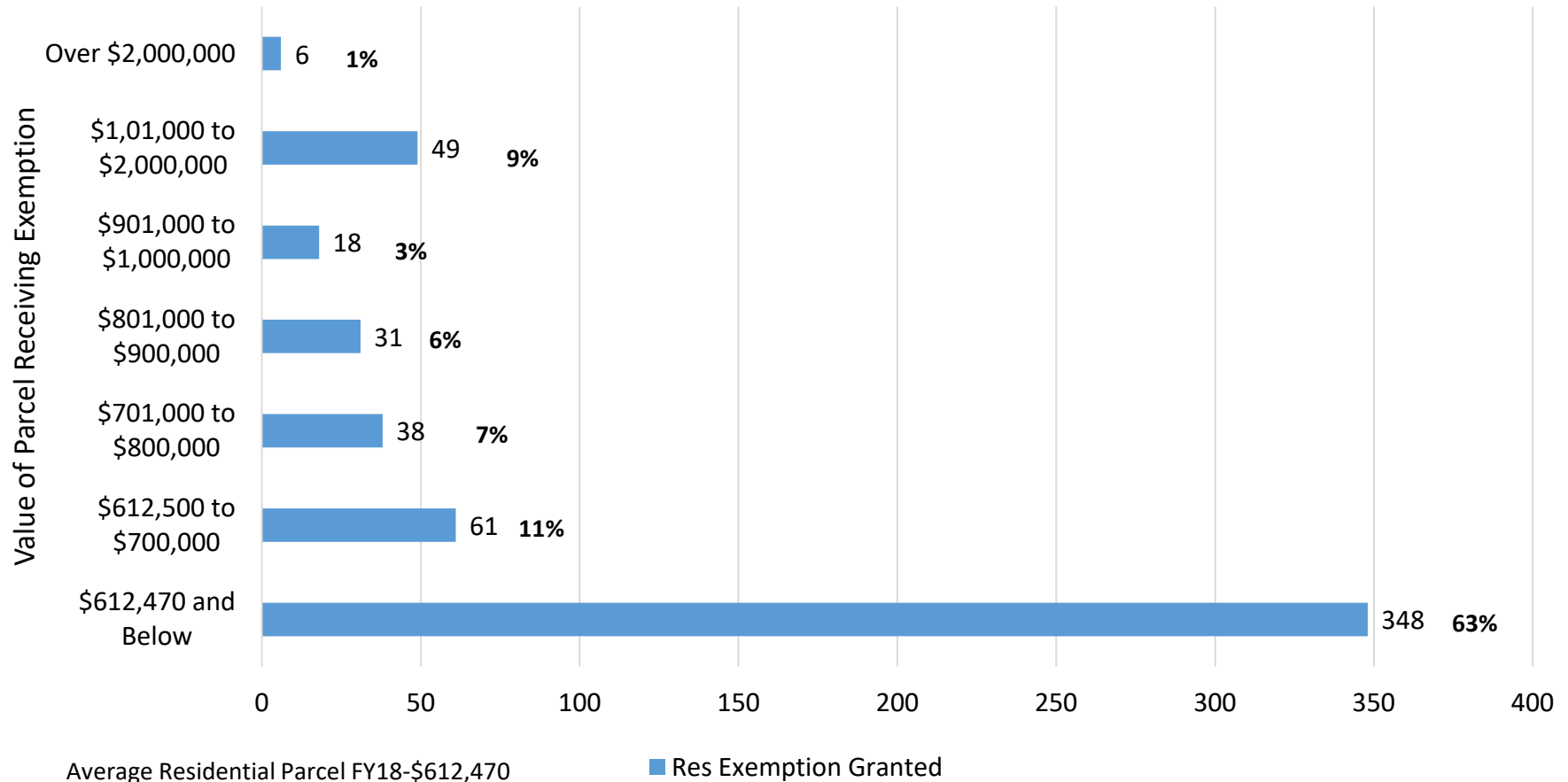
With our limited Commercial/Industrial base in Truro, Board of Assessors recommend NOT to grant a Small Business Commercial Exemption.

4. The Residential Exemption allows for the exemption of a portion of the residential value for residents who declare Truro as their primary domicile. It provides a decrease in the taxable value of qualified residences. The amount of the 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.

FY18 Approved Residential Tax Exemptions

Total Number of Residential Exemptions Granted = 551



- In FY18 Truro elected to adopt a 20% Residential Exemption.
- 63% of FY18's Residential Exemptions went to residents at or below the FY18 Average Home value in Truro of \$612,470.

Residential Exemption

This option reduces the taxable assessed value for each qualified primary residence. Truro has 556 qualified properties for FY19 and the result of the adoption would be a higher tax rate for all residential properties.

- The Board of Selectmen 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 CIP property owners
- 16 communities out of 351 adopted the residential exemption in FY18-FY19.

| Community | Percentage |
|--------------|------------|
| Barnstable | 20 |
| Boston | 35 |
| Brookline | 20 |
| Cambridge | 30 |
| Chelsea | 28 |
| Everett | 25 |
| Malden | 30 |
| Nantucket | 25 |
| Provincetown | 25 |
| Somerset | 10 |
| Somerville | 35 |
| Tisbury | 18 |
| Truro | 20 |
| Waltham | 30 |
| Watertown | 23 |
| Wellfleet | 20 |

Residential Exemption Calculation

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

| | |
|---------------------------------------|------------------------|
| Total Residential Value FY2019 | \$2,135,534,611 |
| Divided by Total Residential Parcels | 3341 |
| Average Residential Value (ARV) | \$639,190 |

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

| ARV | \$639,190 | \$639,190 | \$639,190 |
|----------------------------|--------------|--------------|---------------|
| Exemption % | 20% | 25% | 35% |
| Exemption Value | \$127,838 | \$159,798 | \$223,717 |
| Qualified Parcels | 556 | 556 | 556 |
| Residential Value Exempted | \$71,077,928 | \$88,847,688 | \$124,386,652 |

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

Residential Exemption Impact on the Tax Rate

| | Without Residential Exemption | With 20% Residential Exemption | With 25% Residential Exemption | With 35% Residential Exemption |
|--------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Residential Value | \$2,135,534,611 | \$2,135,534,611 | \$2,135,534,611 | \$2,135,534,611 |
| Value Exempted | | (\$71,077,928) | (\$88,847,688) | (\$124,386,652) |
| Net Value Taxed | \$2,135,534,611 | \$2,064,456,683 | \$2,046,686,923 | \$2,011,147,959 |
| Estimated Tax Rate | \$7.20 | \$7.45 | \$7.51 | 7.65 |

Fiscal Year 2019 Real Estate Tax Impact of Residential Tax Exemption (RTE)

| Fiscal Year 2019 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 | Taxable Value w/ RTE | Rate w/o RTE | Estimated Bill w/o RTE | Rate w/ RTE | Estimated Bill w/ RTE | *Variance (Savings) |
| 20% RTE | 400,000 | 7.20 | 2,880 | 7.45 | 2,980 | 100 | 400,000 | 272,162 | 7.20 | 2,880 | 7.45 | 2,028 | -852 |
| | 639,190 | 7.20 | 4,602 | 7.45 | 4,762 | 160 | 639,190 | 511,352 | 7.20 | 4,602 | 7.45 | 3,810 | -793 |
| | 850,000 | 7.20 | 6,120 | 7.45 | 6,333 | 213 | 850,000 | 722,162 | 7.20 | 6,120 | 7.45 | 5,380 | -740 |
| | 1,500,000 | 7.20 | 10,800 | 7.45 | 11,175 | 375 | 1,500,000 | 1,372,162 | 7.20 | 10,800 | 7.45 | 10,223 | -577 |
| 25% RTE | 400,000 | 7.20 | 2,880 | 7.51 | 3,004 | 124 | 400,000 | 240,202 | 7.20 | 2,880 | 7.51 | 1,804 | -1,076 |
| | 639,190 | 7.20 | 4,602 | 7.51 | 4,800 | 198 | 639,190 | 479,392 | 7.20 | 4,602 | 7.51 | 3,600 | -1,002 |
| | 850,000 | 7.20 | 6,120 | 7.51 | 6,384 | 264 | 850,000 | 690,202 | 7.20 | 6,120 | 7.51 | 5,183 | -937 |
| | 1,500,000 | 7.20 | 10,800 | 7.51 | 11,265 | 465 | 1,500,000 | 1,340,202 | 7.20 | 10,800 | 7.51 | 10,065 | -735 |
| 30% RTE | 400,000 | 7.20 | 2,880 | 7.58 | 3,032 | 152 | 400,000 | 208,243 | 7.20 | 2,880 | 7.58 | 1,578 | -1,302 |
| | 639,190 | 7.20 | 4,602 | 7.58 | 4,845 | 243 | 639,190 | 447,433 | 7.20 | 4,602 | 7.58 | 3,392 | -1,211 |
| | 850,000 | 7.20 | 6,120 | 7.58 | 6,443 | 323 | 850,000 | 658,243 | 7.20 | 6,120 | 7.58 | 4,989 | -1,131 |
| | 1,500,000 | 7.20 | 10,800 | 7.58 | 11,370 | 570 | 1,500,000 | 1,308,243 | 7.20 | 10,800 | 7.58 | 9,916 | -884 |
| 35% RTE | 400,000 | 7.20 | 2,880 | 7.65 | 3,060 | 180 | 400,000 | 176,283 | 7.20 | 2,880 | 7.65 | 1,349 | -1,531 |
| | 639,190 | 7.20 | 4,602 | 7.65 | 4,890 | 288 | 639,190 | 415,473 | 7.20 | 4,602 | 7.65 | 3,178 | -1,424 |
| | 850,000 | 7.20 | 6,120 | 7.65 | 6,503 | 383 | 850,000 | 626,283 | 7.20 | 6,120 | 7.65 | 4,791 | -1,329 |
| | 1,500,000 | 7.20 | 10,800 | 7.65 | 11,475 | 675 | 1,500,000 | 1,276,283 | 7.20 | 10,800 | 7.65 | 9,764 | -1,036 |

NOTE: * Difference between taxes without RTE and taxes with RTE

Summary of the Board of Assessors Recommendations

At their meeting on Sept 17, 2018, 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.