

Fiscal Year 2020 Town of Truro Tax Rate Classification Hearing

A review of the Fiscal year 2020 Property Tax levy
and Classification options



September 24, 2019

Assessed Values

The Town realized a growth in overall property value of 2.5% in fiscal year 2020 as a result of an stable real estate market and new property growth.

The 2020 residential property values are based on calendar year 2018 sales data.

Class	FY19 Value	FY20 Value	Change	%
Residential	2,135,534,611	2,191,956,256	56,421,645	2.6
Commercial	97,934,419	96,588,144	(1,346,275)	(1.4)
Industrial	1,711,800	1,731,900	20,100	1.2
Personal	27,633,210	28,246,370	613,160	2.2
Total	2,262,814,040	2,318,522,670	55,708,630	2.5

Fiscal 2020 Tax Levy

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

Net New Growth for FY20 is \$153,951

Description	Amount
Fiscal Year 2020 Levy Limit	\$16,038,083
Approved Debt Exclusions	\$808,798
Fiscal Year 2020 Capital Expenditure Exclusions	\$0
Fiscal 2020 Cape Cod Commission Assessment	\$94,443
Fiscal 2020 Maximum Allowable Levy	\$16,941,324
FY2020 Approximate Tax Levy	\$16,391,955
FY20 Approximate Excess Levy Capacity	\$549,369
Fiscal Year 2020 Levy Ceiling	\$57,963,067

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.

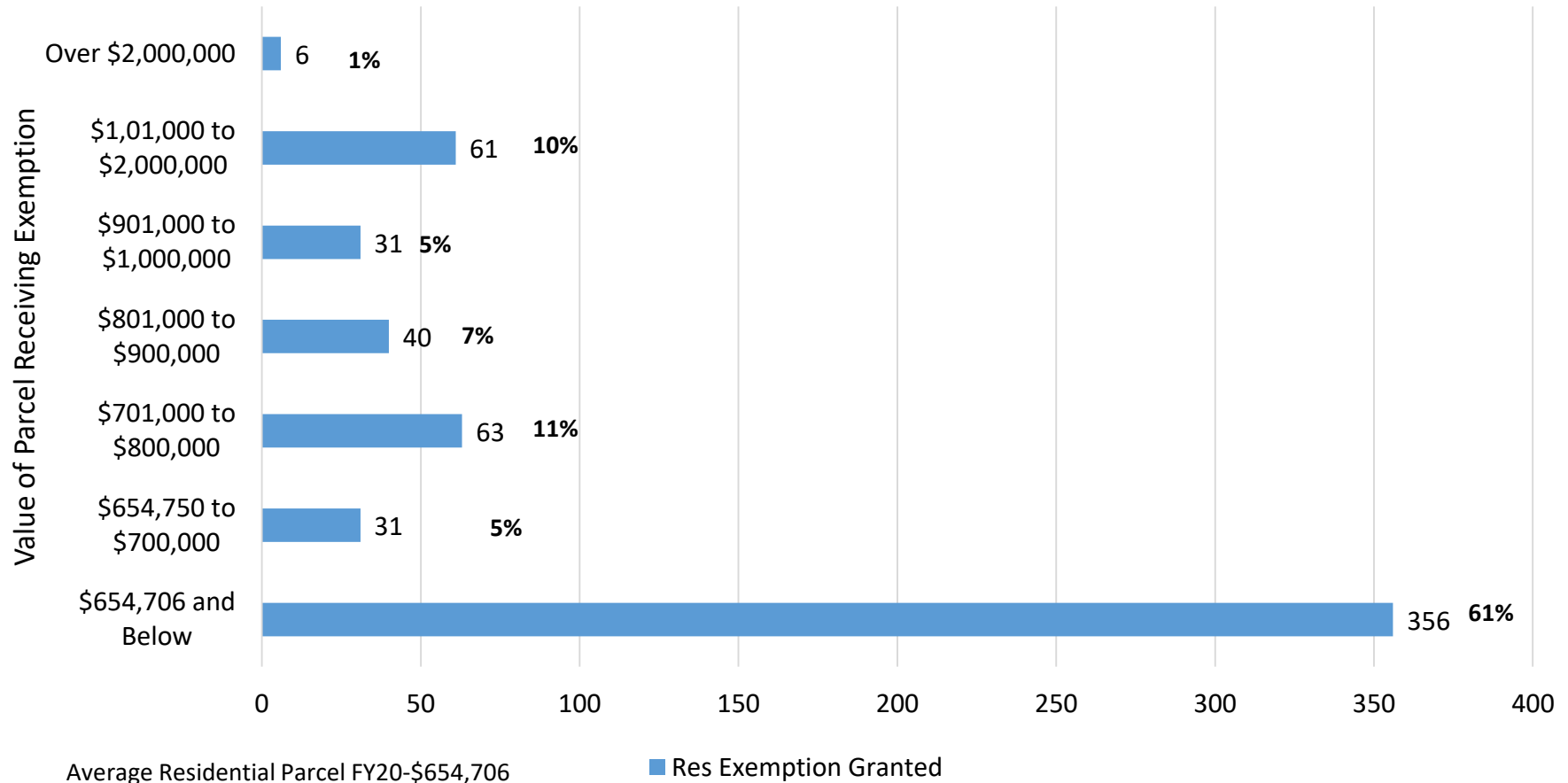
With our limited Commercial/Industrial base in Truro, Board of Assessors recommend NOT to grant a Small Business Commercial Exemption.

4. The Residential Exemption allows for the exemption of a portion of the residential value for residents who demonstrate that Truro is 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.

FY20 Approved Residential Tax Exemptions

Total Number of Residential Exemptions Granted = 588



- In FY18 & FY19 Truro elected to adopt a 20% Residential Exemption.
- If adopted-61% of FY20's Residential Exemptions will go to residents at or below the FY20 Average Home value in Truro of \$654,706.

Residential Exemption

This option reduces the taxable assessed value for each qualified primary residence. Truro has 588 qualified properties for FY20 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 FY19-FY20.

Community	Percentage
Barnstable	20
Boston	35
Brookline	21
Cambridge	30
Chelsea	30
Everett	25
Malden	30
Nantucket	25
Provincetown	25
Somerset	10
Somerville	35
Tisbury	18
Truro	20
Waltham	35
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 FY2020	\$2,191,956,256
Divided by Total Residential Parcels	3348
Average Residential Value (ARV)	\$654,706

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

ARV	\$654,706	\$654,706	\$654,706
Exemption %	20%	25%	35%
Exemption Value	\$130,941	\$163,677	\$229,147
Qualified Parcels	588	588	588
Residential Value Exempted	\$76,993,308	\$96,242,076	\$134,738,436

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

Residential Exemption Impact on the Tax Rate

FY2019 Tax Rate:

\$7.20 for the Commercial / Industrial and Personal Property Classes

\$7.45 for the Residential Class incl 20% Residential Exemption

FY20 numbers represent approx (\$0.12) decrease

	Without Residential Exemption	With 20% Residential Exemption	With 25% Residential Exemption	With 35% Residential Exemption
Residential Value	\$2,191,956,256	\$2,191,956,256	\$2,191,956,256	\$2,191,956,256
Value Exempted		(\$76,993,308)	(\$96,242,076)	(\$134,738,436)
Net Value Taxed	\$2,191,956,256	\$2,114,962,948	\$2,095,714,180	\$2,057,217,820
Estimated Tax Rate	\$7.08	\$7.33	\$7.40	7.54

Fiscal Year 2020 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)
20% RTE	\$130,941	400,000	7.08	2,832	7.33	2,932	100	400,000	7.08	2,832	269,059	7.33	1,972	-860
		654,706	7.08	4,635	7.33	4,799	164	654,706	7.08	4,635	523,765	7.33	3,839	-796
		850,000	7.08	6,018	7.33	6,231	213	850,000	7.08	6,018	719,059	7.33	5,271	-747
		1,500,000	7.08	10,620	7.33	10,995	375	1,500,000	7.08	10,620	1,369,059	7.33	10,035	-585
25% RTE	\$163,677	400,000	7.08	2,832	7.40	2,960	128	400,000	7.08	2,832	236,323	7.40	1,749	-1,083
		654,706	7.08	4,635	7.40	4,845	210	654,706	7.08	4,635	491,029	7.40	3,634	-1,002
		850,000	7.08	6,018	7.40	6,290	272	850,000	7.08	6,018	686,323	7.40	5,079	-939
		1,500,000	7.08	10,620	7.40	11,100	480	1,500,000	7.08	10,620	1,336,323	7.40	9,889	-731
30% RTE	\$196,412	400,000	7.08	2,832	7.47	2,988	156	400,000	7.08	2,832	203,588	7.47	1,521	-1,311
		654,706	7.08	4,635	7.47	4,891	255	654,706	7.08	4,635	458,294	7.47	3,423	-1,212
		850,000	7.08	6,018	7.47	6,350	332	850,000	7.08	6,018	653,588	7.47	4,882	-1,136
		1,500,000	7.08	10,620	7.47	11,205	585	1,500,000	7.08	10,620	1,303,588	7.47	9,738	-882
35% RTE	\$229,147	400,000	7.08	2,832	7.54	3,016	184	400,000	7.08	2,832	170,853	7.54	1,288	-1,544
		654,706	7.08	4,635	7.54	4,936	301	654,706	7.08	4,635	425,559	7.54	3,209	-1,427
		850,000	7.08	6,018	7.54	6,409	391	850,000	7.08	6,018	620,853	7.54	4,681	-1,337
		1,500,000	7.08	10,620	7.54	11,310	690	1,500,000	7.08	10,620	1,270,853	7.54	9,582	-1,038

NOTE * Difference between taxes without RTE and taxes with RTE

\$4.0M is the property value where taxes will be increased even if the exemption is received

Summary of the Board of Assessors Recommendations

At their meeting on Aug 22, 2019, 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 the current 20% rate.