

# City and Town

Navjeet K. Bal, Commissioner • Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



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## Beat the December Rush: Set Your Tax Rate Early

Marilyn Browne and James Paquette, Bureau of Local Assessment

Do you ever wonder why tax rate setting is a little slower in December than it is in October or November? Is the culprit the optional Ch. 653 July deadline for picking up new construction, communities having their property values recertified, the new growth approval process or perhaps the quarterly billing cycle? Good tax billing options were developed and codified by the Legislature, however their potential effects on the timing of tax rate setting may not have been fully predicted. We've reviewed these factors and more and what we've found is both interesting and informative.

Tax rate setting systems have evolved over the years. Initially, all communities issued a single tax bill, but in the late 1960s the [semi-annual tax bills](#) emerged where actual tax bills should be issued on October 1st and April 1st. In 1989 two more optional billing models emerged, the [preliminary semi-annual billing schedule](#) and the [quarterly billing schedule](#). Preliminary semi-annual billing cities and towns send their preliminary bill based on half of the prior year's tax bill by July 1st and mail their actual bill by December 31st. Quarterly billing communities send out preliminary bills payable in two installments if sent out by July 1st. They then send an actual tax bill also payable in two installments if mailed by December 31st. If those dates are missed then the two installments are due in one lump sum on November 1st or May 1st or 30 days after the bills were mailed, whichever is later. Only the quarterly system has a penalty for missed billing deadlines. Also in 1989, a local option, M.G.L. Chapter 653, was implemented that allows communities to assess new buildings, structures or other physical improvements added to real property between January and June for the upcoming fiscal year. Previously, the assessment date had been January 1st, but now those who elect to can have an additional six months in which to collect this new growth. While a community can assess new construction earlier than in the past, it also means they have to wait until June 30th before they can finalize their values. Altogether, there are now 173 communities that participate in this program. Upon analysis, 119 or 69 percent of all Ch. 653 communities set their rates in December. Out of those 119, 114 communities were quarterly billing, the rest (5) were semi-annual billing communities.

Does having ones property values certified by the Bureau of Local Assessment slow tax rate setting? For FY2011, the certification approval process was as follows:

FY2011 Certification Approvals		
August	3	3%
September	8	8%
October	15	15%
November	29	29%
December	35	35%
Post 1/1/2011	9	9%
<b>TOTAL</b>	<b>99</b>	

**64%**

Certification of property values was concentrated in November and December and those communities made up 64 percent of all certifications. When communities receive certification of their real and personal property in November or December, there will then be a race to the finish at the end of December for quarterly and preliminary semi-annual billing municipalities.

We also looked at new growth approvals and the bulk (62%) were approved in November (29%) and December (33%). Again, those with a December 31st deadline are racing toward the finish at the end of the calendar year.

Clearly, getting new growth approved earlier would be in the best interest of communities. As a result, the Bureau of Local Assessment is looking into ways to speed up the process.

FY2011 New Growth Approvals		
July	3	1%
August	10	3%
September	48	14%
October	57	16%
November	103	29%
December	118	33%
Post 1/1/2011	14	4%

**62%**

Over the years more and more communities adopted the quarterly billing local option. In FY2000, there were 179 cities and towns quarterly billing. Today, there are 273, a 53% increase and a total of 78% of all municipalities. Add seven more cities and towns that have adopted the preliminary semi-annual billing schedule and you are up to potential of 280 communities that should send out their actual tax bills by December 31st or 80% of all communities. That number does not include late semi-annual billing municipalities. The rapid increase in popularity reinforces the need to make every effort to get tax rates set early to guarantee timely collection of property tax revenues.

### Tax Rate Setting

	# Communities	Q	S	PS	653	Q -w- 653
<b>August</b>	1	0	1	0	0	0
<b>September</b>	16	1	15	0	5	1
<b>October</b>	22	7	15	0	6	3
<b>November</b>	69	50	18	1	31	26
<b>December</b>	219	205	12	2	119	114
<b>Post 1/1</b>	25	10	11	4	12	8
<b>TOTAL</b>	<b>352</b>	<b>273</b>	<b>72</b>	<b>7</b>	<b>173</b>	<b>152</b>

Q = Quarterly Tax Billing Communities  
 S = Semi-annual Tax Billing Communities  
 PS = Preliminary Semi-annual Tax Billing Communities  
 653 = M.G.L. Ch. 653  
 Q-w-653 = Quarterly Tax Billing Communities that adopted M.G.L. Ch. 653

While Chapter 653, property recertification and new growth approval contribute to a potential log jam in December the major culprit slowing the December tax rate setting seems to be the large, and perhaps still growing, number of quarterly tax billing communities. If the song calls that month "the most wonderful time of the year," maybe it should also call it the busiest. So we encourage you to act accordingly and plan ahead wherever possible. Whether it's purchasing holiday gifts or setting a tax rate, usually the earlier it's done, the better.

## Towns Hit By Tropical Storm Irene Seek Emergency Borrowing Authority

*City and Town Editorial Staff*

The flood damage caused by Tropical Storm Irene has prompted 17 communities and one district to contact the Division of Local Services seeking permission to emergency borrow under [Chapter 44, Section 31](#) of the Massachusetts General Laws.

As of September 7th, DLS has approved 11 of the applications, which are being reviewed on a first-come, first-served basis. No applications reviewed have been denied. Virtually all of the applications are based on the need to make emergency repairs to roads and bridges.

Applications have been approved for Adams, Buckland, Colrain, Deerfield, Florida, New Marlborough, Oxford, Rehoboth, Rowe, Sandisfield and Templeton. Applications are pending or are expected from Greenfield, Heath, Leyden, Monroe, Monterey, Worthington, and the Sherwood Greens Road Improvement & Maintenance District in Becket.

Released last week, [Bulletin 2011-12B](#) outlines the procedures involved with authorizing deficit spending for emergency purposes. Since the release of the bulletin, President Obama has declared Berkshire and Franklin counties as major disaster areas, opening the door to federal aid for residents, businesses and communities in response to the storm. The Massachusetts Emergency Management Agency will coordinate with Federal Emergency Management Agency to set up briefings and disaster recovery centers. The federal disaster declaration makes communities in those two counties eligible for a 75 percent federal reimbursement of the cost of debris removal, emergency measures and repair or replacement of infrastructure.

## September Municipal Calendar

### September 15: Accountant/ Assessors

Jointly Submit Community Preservation Surcharge Report - This report (CP-1) is a statement of the prior year's net Community Preservation Surcharge levy, and is used to distribute state matching funds on October 15.

### September 15: Local Reporting Officers

Submit Smart Growth School Cost Reimbursement Report to DLS - Local Reporting Officers report (a) local smart growth property tax and excise tax revenue for prior fiscal year or (b) municipality's waiver of reimbursement.

### September 30: Taxpayer

Deadline for Submitting Forest Land Certification and Management Plan, M.G.L. Ch. 61 - According to M.G.L. Ch. 61, Section 6, this is the deadline to submit to the Assessors the State Forester's certification and approved management plan in order to have the land valued as classified forest land in the next fiscal year.

### September 30: Municipal and District Treasurer/Collector

Submit Compensating Balance Report - If compensating balance accounts were maintained during the prior fiscal year, a report and account analysis schedules must be submitted to DOR.

### September 30: Accountant/Superintendent/School Committee

Jointly Submit End of Year Report to the DESE - Schedule 1 — determines compliance with prior year Net School Spending requirement. Schedule 19 — determines compliance with current year Net School Spending requirement.

### September 30: Accountant

Submit Snow and Ice Report - This report is a statement of snow and ice expenditures and financing sources.

### September 30: Treasurer

4th Quarter Reconciliation of Cash for the Previous Fiscal Year (due 45 days after end of quarter or upon submission of a balance sheet for free cash/excess and deficiency certification, whichever is earlier).

A reconciliation is the process of comparing the Treasurer's accounts to the Accountant's/ Auditor's or Schools Business Manager's ledger balance to determine if they are consistent, and for the officials to make any necessary corrections. When the reconciliation is complete, the Accountant/Auditor/School Business Manager should indicate agreement with the Treasurer's balances. Reconciliations are required every quarter by DOR, but communities and school districts should reconcile monthly for their own purposes. The fourth quarterly report as of June 30 must be completed and returned to DOR. The first three quarterly reports of the fiscal year should be completed timely and filed in both the Treasurer's and Accountant's/Auditor's or School Business Manager's offices for possible BOA inspection or audit. Municipalities and school districts may also use these reports to monitor cash practices of the Treasurer's office. If the Accountant/Auditor/School Business Manager and Treasurer are not consistently reconciling cash accounts, or if the reconciliations indicate variances, the Mayor, Selectmen or School Committee should inquire as to the reasons.

### September 30: Treasurer

Submit Statement of Indebtedness - Massachusetts General Laws Ch. 44, Sec. 28 requires the Director of Accounts to maintain complete and accurate records of indebtedness by cities, towns and districts. This statute also requires Treasurers to furnish any other information requested by the Director in respect to the authorization and issuance of loans. This Statement is the annual report required from Treasurers to accomplish this purpose. Treasurers should reconcile their debt records with the Accountant/Auditor before filing the Statement of Indebtedness to ensure that the Statement and balance sheet are in agreement.

### September 30: State Treasurer

Notification of Quarterly Local Aid Payments on or Before September 30 - When local aid payments are transmitted to communities, the cover letter indicates what funds will be made available, less quarterly assessments (see Cherry Sheet attachment for details).

Services (DLS) and is designed to address matters of interest to local officials.

**Dan Bertrand**, Editor

**Marilyn Browne**, Editor Emeritus

Editorial Board: **Robert Nunes, Robert Bliss, Zack Blake, and Amy Handfield**

To obtain information or publications, contact the Division of Local Services via:

- website: [www.mass.gov/dls](http://www.mass.gov/dls)
- e-mail: [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us)
- telephone: 617-626-2377
- mail: PO Box 9569, Boston, MA 02114-9569

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