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Dan Bertrand, Editor

**Editorial Board:** Robert Nunes, Robert Bliss, Zack Blake, Amy Handfield, Sandra Brusio and Patricia Hunt

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## Improved Schedule A and Free Cash Calculation Sheet Ready for Launch

In its FY13 Strategic Plan presented a year ago, DLS promised to investigate methods of allowing Schedule A uploads from Excel to make the job of entering the Schedule A much easier for local officials. Schedule A is the year end statement of revenues and expenditures by fund that forms the core of the information presented in the Municipal Data Bank and allows for comparisons of communities spending, revenue and fund balances.

Last November, DLS IT conducted a stakeholder survey to determine the degree to which the existing Schedule A was easy to use.

Now, it is my pleasure to announce that not only the upload but a much more user-friendly Schedule A Part 3 are ready for use in FY14. In addition, in a move toward greater balance sheet transparency, DLS has developed a new free cash calculation sheet that can be read and reviewed by local officials. Both the changes in Schedule A and in the calculation sheet stem from DLS's commitment to work with stakeholders to improve our work processes and to allow you to do your jobs more efficiently and effectively.

The Community Software Consortium, in partnership with DLS, funded the development of the new Schedule A conversion program. It will take data from the Excel-based Schedule A and convert it to an XML file suitable for uploading to Gateway, which was modified to allow the upload. Working in parallel with the CSC project, DLS IT identified Schedule A's Part 3 as the section most often identified in the survey as being hard to work with. With the assistance of ANF IT, changes were made to Part 3 and several other screens to improve the overall user experience. In addition, page 3 of the Tax Recap sheet has been revised to allow specific reporting of local options meals and room tax revenue and Medicaid reimbursement.

The decision to pursue development of the free cash calculation sheet came through internal discussions in the Bureau of Accounts. The need for a public-facing calculation sheet was voiced by both BOA staff and local officials, and that sheet will be available for free cash certified in FY 2014 from the Gateway login page.

These improvements are just the beginning as DLS, working with stakeholders, will continue to identify processes and procedures that can be improved for greater efficiency and effectiveness.

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## **Ask DLS**

### **City and Town Editorial Board**

This month's *Ask DLS* features frequently asked questions about eligibility requirements common to all personal exemptions for local property taxpayers. We hope the answers will provide timely and helpful information. Please let us know if you have other areas of interest or send a question to [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us). We'd like to hear from you.

### **What is a personal exemption?**

An exemption is a privilege established by the Legislature that releases or discharges a taxpayer from the obligation to

pay all or a portion of a tax. Property tax exemptions are found in various clauses of [G.L. c. 59, s. 5](#). Generally, personal exemptions refer to those property tax exemptions available under state law to taxpayers based on their personal circumstances. They include, for example, exemptions available to persons who are legally blind, veterans, surviving spouses, minors with a deceased parent or seniors. Some eligibility requirements are common to all personal exemptions, for example, taxpayers must own and occupy the property as their domicile to qualify. Other requirements apply to particular exemptions. Some exemptions or qualifications apply only in communities that adopt them.

More detailed information about personal exemption eligibility requirements is found in [Chapter 7 of Assessment Administration: Law, Procedures and Valuation](#), *the course handbook issued by the Division of Local Services for use in its training program for assessors.*

### **What is the qualification date for a personal exemption?**

Exempt status is determined as of July 1, which is the first day of the fiscal year. To qualify for an exemption from the taxes assessed for that fiscal year, the taxpayer must meet all eligibility criteria as of that date. [G.L. c. 59, s. 5](#).

### **Who is an owner for personal exemption purposes?**

All personal exemptions require the taxpayer to own the property. The taxpayer can be the sole owner or own the property with others. If there are multiple owners, some exemptions establish a minimum value that the applicant's ownership interest must meet to qualify, which is easily satisfied. Some exemptions also require the taxpayer to have owned the property, or other property in Massachusetts, for a period of time. See Table 2 in [Chapter 7 of Assessment Administration: Law, Procedures and Valuation](#) for these *duration* ownership requirements.

#### **A.) Is a life tenant an owner?**

Yes. A life tenant is the owner of the property during his or her lifetime. An example of a legal life estate is where parents convey their domicile to their children but reserve the right to live there for the remainder of their lives. The parents

are the life tenants. During their lives, they have possession, use and enjoyment of the property, are assessed the property taxes and have an obligation to pay them. Therefore, they may receive personal exemptions if they are otherwise eligible. *Breare v. Board of Assessors of Peabody*, 350 Mass. 391 (1966). The children are the remaindermen and become the owners and take possession of the property after both parents have died.

### **B.) Is a person whose domicile is part of the assets of a trust an owner?**

Sometimes. The person must hold both record legal title by being a trustee or co-trustee and a sufficient beneficial interest in the domicile through the trust to be an owner for exemption purposes. *Kirby v. Board of Assessors of Medford*, 350 Mass. 386 (1966). A person who is not a trustee does not have legal title and does not qualify for a personal exemption.

A trustee or co-trustee has the necessary beneficial interest if he or she (1) is a named beneficiary in a recorded certificate of trust, declaration of trust or trust schedule of beneficiaries; (2) has an express right to occupy the property under the trust or is in fact occupying it as his or her domicile; or (3) has rights under the trust that indicate he or she can occupy the property and no one else has a beneficial interest that is exclusive or inconsistent with that occupancy, e.g., to direct the trustee to turn over the title or use of the property, to receive proceeds from the sale or rental of the property or to use, apply or spend any trust assets during his or her lifetime.

### **What residence is a person's domicile?**

A person may have more than one residence, but only one domicile. Once a person establishes a domicile, it continues until the person abandons it and acquires a new one elsewhere.

If a person has more than one residence, the person's domicile is his or her principal and legal home. It is where the person's family, social, civic and economic life is centered and where the person plans to return after being away. Indicators of domicile include where the person votes, registers a car, spends most of his or her time, replies to the

census, files tax returns and has ties to the community, such as where the person's spouse and children live and church, club, social organization and banking institutions are maintained. No one indicator is decisive. The assessors must look at the totality of the facts and circumstances.

Some exemptions also require the taxpayer to have been domiciled in the property, or other property in Massachusetts, for a period of time. See Table 2 in [Chapter 7 of Assessment Administration: Law, Procedures and Valuation](#) for these *durational* domicile requirements.

### **How does a taxpayer obtain a personal exemption?**

The taxpayer must file an application for exemption with the board of assessors of the community where the property is located for each year an exemption is claimed. Applications for the National Guard or military reservist exemption under local option [G.L. c. 59, s. 5, Clause 56](#) and senior exemptions under local option [G.L. c. 59, s. 5, Clauses 41C1/2 and 57](#) are due the same date as abatement applications for the year (due date for the first actual tax payment for the year). The application deadline for all other personal exemptions is December 15, or 3 months after actual bills are mailed for the fiscal year, whichever is later. Applications must be received by the assessors' office on or before the deadline, or mailed to the assessors' correct address by the deadline, as shown by a United States Postal Service postmark. [G.L. c. 59, s. 59](#). Filing on time is required. The assessors cannot waive the filing deadline.

### **Are personal exemption applications public records?**

No. Under [G.L. c. 59, s. 60](#), applications for personal exemption cannot be disclosed to the general public. Access to applications is strictly limited to the assessors and their staff, the Department of Revenue, other state and local officials in the performance of official duties, and designated private auditors. The taxpayer (or authorized representative) may also have access to or a copy of the applications he or she submitted. The application includes any supporting documentation submitted to substantiate the claim.

However, the exemption record book, which identifies taxpayers granted exemptions and the exemption amounts, is a public record and is open to mandatory disclosure under

the public records law.

## **Technical Assistance Survey Results Released on DLS Website**

### **DLS Stakeholder Satisfaction Committee**

The DLS Stakeholder Satisfaction Committee has compiled results of the Technical Assistance survey emailed recently to mayors, city managers, town managers/administrators and executive secretaries/town coordinators.

Three-quarters of the respondents were town managers or town administrators. The majority of responses came from communities with populations up to 7,500 (38 percent) and communities with populations between 7,500 and 15,000 (32 percent).

Asked to list the functional areas in which they felt their communities could most benefit from additional technical assistance or support, 62 percent listed human resources/employee benefits and 61 percent listed information technology. Budgeting/finance, accounting/auditing, treasury/collections and assessing were all between 29 and 37 percent.

Responders were asked what specific assistance or support they needed, which generated 86 replies, many of them focused on IT and human resources support.

Asked how can a team from DLS best provide that additional assistance or support, 73 respondents offered a variety of opinions. There were requests for webinars and interactive on-line training, more site-based training and workshops, assistance in grant preparation, more best practices, help with purchasing software, and a wide array of other requests.

Asked for other comments or suggestions, 54 respondents came up with ideas such as regionalized IT, regional meetings with DLS and local finance teams, and sharing an HR expert for a given set of communities.

A number of respondents used this opportunity to thank DLS for assistance currently provided. "Whenever we need support from Local Services, that support is readily available.

No complaints. You do a very good job," said one respondent. Another commented, "I find the DLS to be responsive to officials' needs when questions or support is needed."

To view the entire survey with comments click [here](#).

DLS will analyze the survey results and report back in *City and Town* on changes made and suggestions adopted as a result of the survey. In addition, the Technical Assistance Bureau will develop an action plan to respond to the survey results and actions implemented will be published in *City and Town*.

## **Proving Free Cash**

### **Jim Podolak - Bureau of Accounts**

Beginning in FY2014, the Bureau of Accounts will include the Free Cash and Retained Earnings calculation sheets with the certification letter that is emailed to officials.

The Bureau of Accounts certifies Free Cash for cities and towns each fiscal year by analyzing the combined balance sheet, combining schedules and supporting documentation submitted by the town accountant or city auditor as of June 30th. Free Cash cannot be appropriated until certified by the Director of Accounts.

Once Free Cash is calculated the final step in this analysis is the Free Cash Proof. When completed it is compared to the calculation of Free Cash to determine if it is within the acceptable percentage range.

Proving free cash is accomplished by identifying the financial events that impact Free Cash and calculating a total. These are obtained or derived from the combined balance sheet, combining statements and supporting documentation submitted for both the current and the previous Free Cash certifications. The events and their impact include but are not limited to the following:

- adding revenue deficits
- adding an excess or subtracting a shortfall in state and local receipts
- adding revenues received but not estimated

- adding unencumbered or unexpended appropriations
- subtracting prior year negative free cash certified
- adding prior year free cash not appropriated
- adding overlay surplus that was not appropriated
- adding or subtracting the change in real estate, personal property, tax lien, tax foreclosure, deferred taxes and rollback receivables
- adding or subtracting the change in adjustments to Free Cash

There can be other adjustments that need to be considered including journal entries to any of the accounts in the above events and budget to actual differences in other financing sources or uses in the general fund.

Once the Free Cash proof is completed, it must be within 85% to 115% of the calculated Free Cash in order for the field representative to submit the analysis to a supervisor for certification. This provides reasonable assurance that the Free Cash calculation has been done correctly and that the Free Cash can be certified. If it does not fall within the range, more research must be done to determine whether revisions to the combined balance sheet, combining schedules or supporting documentation need to be made.

## Save the Date(s)!

Below please find a list of upcoming events, workshops and seminars hosted by the Division of Local Services. Further details will be published in *City and Town* in future editions and updates can also be found in the [Training and Seminars](#) section of our website.

September 16<sup>th</sup> - Fifth Annual Regionalization Conference at Holy Cross in Worcester

September 27<sup>th</sup> - "What's New in Municipal Law" Seminar in Holyoke

October 4<sup>th</sup> - "What's New in Municipal Law" Seminar in Randolph

November 5<sup>th</sup>, 12<sup>th</sup>, 19<sup>th</sup> - Course 101: Assessment Administration: Law, Procedures and Valuation full day classes in western MA (Location to be confirmed)

<p><b>July 1</b></p>	<p><b>Collector</b></p>	<p><b>Mail Annual Preliminary Tax Bills</b>  For communities issuing annual preliminary tax bills, the preliminary quarterly or semi-annual bills should be mailed by this date.</p>
<p><b>July 15</b></p>	<p><b>Accountant</b></p>	<p><b>Certification Date for Free Cash: Anytime after Books are Closed</b>  Two weeks after the close of a fiscal year, all accounts are closed out and the resulting balance sheet and supplemental documentation submitted to DOR. Free cash is certified any time after this date.</p>
<p><b>July 15</b></p>	<p><b>Accountant</b></p>	<p><b>Report Community Preservation Fund Balance: Anytime after Books are Closed</b>  After the close of a fiscal year, the fund balance is submitted to DOR (Form CP-2) and notice given to the Community Preservation Committee and other financial officers. The fund balance may be appropriated anytime after that report.</p>
<p><b>July 15</b></p>	<p><b>School Business Officials</b></p>	<p><b>Certification Date for Excess and Deficiency (E&amp;D) Fund</b>  Two weeks after the close of a fiscal year, all accounts are closed and the resulting balance sheet (a pre-closing trial</p>

		balance or audited financial statements will not be accepted unless requested by the Director of Accounts) and supplemental documentation are submitted to DOR. E&D Fund is certified any time after this date.
<b>July 15</b>	<b>Assessors</b>	<b>Deadline for Appealing Commissioner's Pipeline Valuations to ATB</b>
<b>July 15</b>	<b>DOR/BLA</b>	<b>Notification of Changes in Proposed EQVs</b> (even numbered years only)
<b>July 20</b>	<b>DOR/BLA</b>	<b>Notification of Changes in Proposed SOL Valuations</b> (every 4th year after 2005)

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