



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE



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*City & Town* is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

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## Municipal Modernization Enters the Home Stretch

Secretary Kristen Lepore - Executive Office for Administration and Finance

On behalf of the Baker-Polito Administration, I'm pleased to announce that we are in the final legislative stages for "[An Act to Modernize Municipal Finance and Government](#)." I'd like to thank Sean Cronin and the team at the Division of Local Services, along with all the state and local officials across the Commonwealth who joined together with a wide array of professional associations, finance organizations, regional stakeholders, and other constituencies to craft and refine this critical and impactful legislation.

We encourage any and all interested municipal and school officials to join us at the Grand Staircase in the State House next Tuesday (8/9/16) at 11 a.m. to celebrate the culmination of our shared goal to eliminate or update obsolete laws, promote local independence, streamline state oversight, and provide municipalities with greater flexibility.

Thank you again to all our partners in these modernization efforts. In our next edition of *City & Town*, we'll provide an in-depth look at the bill. Stay tuned!

## Debt and Borrowing Limits

Bill Arrigal - Bureau of Accounts Public Finance Section and  
Susan Whouley - Bureau of Accounts Analyst

The sky is not the limit when it comes to borrowing for certain

purposes for every city, town, and special purpose district in Massachusetts. In this case, it's not just a matter of affordability or restriction based on a levy limit. In this article, we're focusing on the debt authorization limit.

## **Background**

The concept of an authorization limit can be traced as far as the mid-19th century and is discussed in Tony Rassias' "[A Sketch of the History of the Massachusetts Bureau of Accounts and Related Matters in the Growth and Development of Municipal Finance.](#)"

*Passage of the Municipal Indebtedness Act was an attempt to control the use and rise of debt after the Civil War. The increase in municipal debt was unbridled. A municipality was allowed to borrow in anticipation of the current fiscal year's tax revenues as well as for the next. Borrowing was allowed for ordinary operating expenses, could be incurred to meet other loans at maturity, was allowed with no limit and did not require proper provision for payment when due.*

The Municipal Indebtedness Act of 1875 contained an indebtedness limit of 2.5% for cities and 3% for towns of their last preceding assessed valuation of taxable property. The current debt limit law has its roots in that legislation.

## **Current Debt Limit Law**

[MGL c. 44 sec. 10](#) requires that debt authorized by cities and towns under certain sections of law, primarily [MGL c. 44, sec. 7](#), cannot be authorized in total in excess of 5% of their most recent Equalized Valuation (EQV) or in excess of 10% of the EQV if approved by the [Municipal Finance Oversight Board \(MFOB\)](#).

The current law also authorizes special purpose districts to incur debt. This is done by determining the percentage of the district's previous fiscal year's total assessed value as it relates to the municipality's previous fiscal year's total assessed value.

Regional school districts are not governed by MGL c. 44, sec. 10 and therefore have no debt authorization limit.

Special legislation or a specific general law, of course, could authorize a debt limit to an amount or percentage other than that allowed by MGL c. 44, sec. 10.

## **Debt Authorization**

Cities, towns, and special purpose districts may authorize indebtedness by a two-thirds approval vote of their respective legislative bodies. Three particular general laws are most often referenced: MGL c. 44, sec. 7 (within the debt limit), [MGL c. 44, sec.](#)

[8](#), (outside the debt limit), and [MGL c. 70B](#) (outside the debt limit for school construction). The sections of Chapter 44 provide multiple purposes for which borrowing may be authorized.

## **Equalized Valuation**

[Equalized Valuations \(EQVs\)](#) represent the estimated full and fair cash value of all taxable property in each governmental entity and are determined by the Bureau of Local Assessment (BLA) by:

- applying a statistical analysis to arms-length sales,
- adding projected new construction value developed through a review of past four years' new growth, and
- adding the Urban Redevelopment Corporation excise tax under [MGL c. 121A](#).

EQVs are determined every two years by BLA, and after an appeal period through the Appellate Tax Board, become effective as of the following January 1. EQVs represent the full and fair cash value of all taxable real and personal property as of January 1, including each municipality's 121A urban redevelopment property. EQVs are a basis of comparison among cities and towns for certain state and local purposes.

## **The Municipal Finance Oversight Board**

The MFOB was created by [Chapter 46 of the Acts of 2003](#), the so-called "2003 Municipal Relief Act," after the elimination of the Emergency Finance Board (EFB), which provided state oversight over certain city, town, or district borrowings, appropriations and other actions. The MFOB consists of the attorney general, treasurer, auditor and director of accounts, or their designees.

## **Special Purpose Districts**

These districts are defined in MGL c. 44, sec. 1 as "fire, water, sewer, water pollution abatement, refuse disposal, light, or improvement district, or any other district, howsoever named, formed for the purpose of carrying out any of the aforementioned functions, whether established under general law or special act."

## **Calculating the Debt Limit**

For a municipality, the debt authorization limit is calculated by multiplying the current, official EQV by 5%.

### **Debt Limit Calculation - City or Town**

Step 1	Confirm municipality's official EQV	\$650,345,400
Step 2	Multiply the EQV by 5%	\$32,517,270

**The municipality's debt authorization limit is \$32,517,270.**

To calculate the debt authorization limit for a special purpose district in a municipality, confirm the district's total assessed value from the previous fiscal year. Next, confirm the municipality's total assessed value from the previous fiscal year. Determine the percentage of the district's total assessed value within the municipality. Multiply that percentage by the municipality's EQV, then multiply the result by 5%. That is the district's debt authorization limit.

### **Debt Limit Calculation for a District in a Single Municipality**

Step 1	Confirm district's total assessed value	\$230,345,800
Step 2	Confirm municipality's total assessed value	\$647,248,900
Step 3	Determine district's % of municipality's value	36%
Step 4	Confirm municipality's official EQV	\$650,345,400
Step 5	Multiply the percentage in Step #3 by the amount in Step #4	\$234,124,344
Step 6	Multiply the amount in Step #5 by 5%	\$11,706,217

**The district's debt authorization limit is \$11,706,217.**

To calculate the debt authorization limit for a special purpose district in multiple municipalities, confirm the district's total assessed value from the previous fiscal year within each municipality. Next, confirm each municipality's total assessed value from the previous fiscal year. Determine the percentage of the district's total assessed value within each municipality. Multiply that percentage by each municipality's EQV. Sum the totals for all municipalities and multiply that sum by 5%. That is the district's debt authorization limit.

### **Debt Limit Calculation for a District in Multiple Municipalities**

Step 1	Confirm district's assessed value in Municipality A	\$104,957,590
Step 2	Confirm total assessed value of Municipality A	\$647,248,900
Step 3	Determine district's % of Municipality A's value	16%
Step 4	Confirm official EQV of Municipality A	\$650,345,400
Step 5	Multiply percentage in Step #3 by amount in Step #4 (the result is the district's EQV for Municipality A)	\$104,055,264
Step 6	Confirm district's assessed value in Municipality B	\$125,388,210
Step 7	Confirm total assessed value of Municipality B	\$822,560,300
Step 8	Determine district's % of Municipality B's value	15%
Step 9	Confirm official EQV of Municipality B	\$825,367,000
Step 10	Multiply percentage in Step #8 by amount in Step #9 (the result is the district's EQV for Municipality B)	\$123,805,050
Step 11	Add EQV totals from Step #5 and Step #10	\$227,860,314
Step 12	Multiply the amount in Step #11 by 5%	\$11,393,016

**The district's debt authorization limit is \$11,393,016.**

(To view a larger version of this image, click [here](#).)

### **The "Double Debt" Limit**

The borrowing authorization limit for cities, towns, and special purpose districts may be increased from 5% of their official EQV up to 10% if approved by the MFOB.

Using the calculation methodology for a municipality, the "double debt" limit is calculated simply by taking the city's or town's most recent EQV and multiplying it by up to 10%.

For special purpose districts, the calculation methodology as shown above is the same, except that the 5% factor is replaced by up to 10%.

<b><u>"Double Debt" Limit Calculation for a Municipality</u></b>		
Step 1	Confirm municipality's official EQV	\$650,345,400
Step 2	Multiply the EQV by 10%	\$65,034,540
<b>The municipality's "double debt" authorization limit is \$65,034,540.</b>		

Cities, towns and special purpose districts contemplating any additional debt authorization that will exceed the debt limit should request a meeting with the MFOB prior to their legislative body's debt authorization vote. For more information about the MFOB, contact Marissa Szabo at [marissa.szabo@massmail.state.ma.us](mailto:marissa.szabo@massmail.state.ma.us) or (617) 727-2075.

To view the debt limits for all 351 municipalities using the most recent EQVs effective as of January 1, 2015, click [here](#).

## Save the Date - Municipal Law Seminars

The Division of Local Services Legal staff offers its "Recent Developments in Municipal Law" seminars for local officials every fall. Presentations include new legislation and recent court decisions pertaining to local government. The next seminars will be held on Thursday September 29, 2016 at The Log Cabin Banquet & Meeting House in Holyoke and Thursday, October 6, 2016 at The Lantana in Randolph.

Registration information will be posted on our [website](#) shortly. *City & Town* will provide notification when registration opens.

## Ask DLS

This month's *Ask DLS* features frequently asked questions regarding the property tax exemptions available to veterans. 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 would like to hear from you.



## **What property tax exemptions are available for veterans?**

The real estate tax exemptions for the domiciles of veterans are found in Clauses 22, 22A, 22B, 22C, 22D, 22E and 22F of [MGL c. 59, sec. 5](#). Although these exemptions are commonly referred to as "veterans' exemptions," some of them are for the domiciles of spouses or surviving spouses of veterans and the surviving spouses or parents of servicemembers or guardsmen who died during their service. See generally Section 3 of the [Chapter 7 of the Assessors Course 101 Handbook](#) for information on exemptions for veterans and other individuals.

## **What is the date for determining eligibility for the veterans' exemptions?**

All the eligibility requirements related to veterans' exemptions must be satisfied as of July 1 of the beginning of the fiscal year for which the tax is assessed. [MGL c. 59, sec. 5](#).

## **Who are veterans for property tax exemption purposes?**

Veterans are individuals who served on active duty in the Armed Forces of the United States for certain time periods during peace or wartime eras and were discharged from military service. Their last discharge or release must have been under honorable conditions. The definition of veteran is found in [MGL c. 4, sec. 7, clause 43](#) and summarized in this [chart](#) available on the Department of Veterans' Services website.

## **Is a person who was discharged from active duty and met the definition of veteran but later returns to active duty still a veteran for property tax exemption purposes?**

Yes. A person remains a veteran and eligible for exemption if his or her last discharge from active duty was under honorable conditions.

## **Must all applicants for veterans' exemptions be veterans?**

No. If the veteran's spouse, not the veteran, owns the veteran's domicile, the spouse is eligible for the exemption and would apply instead of the veteran. [MGL c. 59, sec 5, clauses 22\(d\), 22A-C and 22E-F](#). If the exemption is available to surviving spouses of veterans or surviving spouses and parents of servicemembers or guardsmen who died during their service, those persons are the applicants. [MGL c. 59, sec. 5, clauses 22\(d\), 22\(e\), 22\(f\), 22A-22F](#).

## **Must a veteran have a service-connected disability to be eligible for a veteran's exemption?**

The exemptions generally require the veteran to have a service-connected disability or been given one of specific service awards. The

disability, service award or other requirement for each exemption clause can be found in Table 7 of [Chapter 7 of the Assessors Course 101 Handbook](#). The table states the persons eligible to apply for each exemption and the exemption amount. Table 8 of Chapter 7 states the amount the state reimburses the municipality for each granted exemption (subject to annual appropriation by the legislature).

### **Who must own and occupy the real property that is the subject of the exemption?**

The applicant for the exemption must own the real property.

In addition, the veteran must occupy the real property that is the subject of the exemption as his or her domicile. If the spouse of the veteran owns the home and is the applicant for the exemption, both the spouse and veteran must occupy the property as their domicile. If the applicant is a surviving spouse or parent, the surviving spouse or parent must occupy the property as his or her domicile.

A domicile is a person's principal and legal home, where family, social, civic and economic life is centered and where a person plans to return whenever he or she is away. A person may have more than one residence, but only one domicile.

### **Is a veteran who just moved to Massachusetts eligible for a veteran's exemption?**

Generally, no. The veteran must have been domiciled in Massachusetts for (1) at least six consecutive months before entering military service or (2) at least five consecutive years before applying for the exemption. To qualify for a Clause 22D exemption, surviving spouses of servicemembers or guardsmen (1) must have been domiciled in Massachusetts for at least five consecutive years before applying for the exemption, or (2) their spouse must have been domiciled in Massachusetts for at least six consecutive months before entering the service.

However, this five-year period for veterans, servicemembers or guardsmen who were not domiciled in Massachusetts before entering the service is reduced to only one year if the municipality has accepted [St. 1993, c. 110, sec. 110](#).

### **How does an applicant document the veteran's service-connected disability?**

A first time applicant must provide the assessors with a certification or benefit letter from the United States Department of Veterans Affairs (VA), or the branch of service from which the person was discharged, that documents the veteran's service-connected disability. Other information regarding military service that relates to eligibility for a veteran exemption, such as residency before enlistment, service

period, military decorations and honorable discharge, is obtained from the veteran's discharge papers or VA benefit letter.

If an exemption is granted, the veteran (or spouse if the applicant) does not have to include any documentation with future applications unless the veteran's disability status changes or the veteran has a 100% disability rating. A veteran (or spouse, if the applicant) seeking a Clause 22E exemption for veterans with a 100% disability rating must submit a current VA certification or benefit letter with each year's application. [See Bulletin 2009-19B.](#)

For an application by a surviving spouse, a certification or benefit letter documenting the veteran's disability and eligibility at the time of death must be provided in the first year the exemption is sought only if the veteran was not already receiving an exemption at that time.

**Does the certification or benefit letter from the VA (or branch of service) documenting the veteran's service-connected disability have to be dated July 1?**

No. The veteran has to have a service-connected disability as of July 1 to be eligible for exemption, but the letter does not have to be dated July 1. Generally, the VA's decision on a veteran's application for benefits due to a service-connected disability is based on the veteran's status at the time the veteran applies to the VA for those benefits. Once decided, that remains the veteran's disability rating or status unless the VA approves a change after an appeal or further application by the veteran.

**What does the certification or benefit letter from the VA (or branch of service) have to include for a veteran to be eligible for an exemption under Clause 22E as a veteran with a 100% disability rating?**

The veteran has a 100% disability rating if the VA certification or benefit letter reports a baseline rating less than 100% and reports "Yes" to any of the following conditions:

- 1.) Are you entitled to a higher level of disability due to being unemployable?
- 2.) Are you considered to be totally and permanently disabled due to your service-connected disabilities?

[See Bulletin 2009-19B.](#)

## **OSD Announcements: State Surplus Property Program**



## Operation Services Division

Whether you need a few desk chairs or the perfect filing cabinet, the State Surplus Property program is here to help!

Regulations require state departments to declare surplus property periodically to ensure that the Commonwealth realizes the maximum benefit from state-owned property. Surplus items are listed in the [Surplus Available to Departments and Public Entities document](#) and offered to all public entities, free of charge. While other state departments have priority, any surplus property not transferred after 30 days is offered to municipalities for a small administrative fee.

The process to acquire this property is simple:

- 1.) View the [Surplus Available to Departments and Public Entities document](#).
- 2.) If you see anything you need, simply follow the directions on the document and email [Paul Guerino](#) or [Ted Bunnell](#), the state surplus property coordinators.
- 3.) Complete the short [Surplus Request Form](#).

Check back often as the available listing is updated at least once a week. For more information, consult the [Surplus Property program's webpage](#).

## August Municipal Calendar

<b>August 1</b>	<b>Taxpayer</b>	<b>Quarterly Tax Bills - Deadline for Paying 1st Quarterly Tax Bill Without Interest</b>  According to M.G.L. Ch. 59, Sec. 57C, this is the deadline for receipt of the 1st Quarter preliminary tax payment without interest, unless the preliminary bills were mailed after July 1. If mailed by August 1, the 1st Quarterly payment is due August 1, or 30 days after the bills were mailed, whichever is later, and the 2nd Quarterly payment is due November 1. If mailed after August 1, the preliminary tax is
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		due as a single installment on November 1, or 30 days after the bills were mailed, whichever is later.
<b>August 1</b>	<b>Taxpayer</b>	<b>Annual Boat Excise Return Due</b>
<b>August 1</b>	<b>Accountant</b>	<p><b>Notification of Total Receipts of Preceding Year</b></p> <p>The total actual local receipts (e.g., motor vehicle excise, fines, fees, water/sewer charges) of the previous fiscal year must be included on Schedule A of the Tax Rate Recapitulation Sheet (Recap) which is submitted by the Assessors to DOR. On the Recap, the Accountant certifies the previous fiscal year's actual revenues, and the Assessors use this information to project the next fiscal year's revenues. Any estimates of local receipts on the Recap that differ significantly from the previous year's actual receipts must be accompanied by documentation justifying the change in order to be approved by the Commissioner of Revenue.</p>
<b>August 10</b>	<b>Assessors</b>	<p><b>Deadline for Appealing EQVs to ATB</b></p> <p>(even numbered years only)</p>
<b>August 10</b>	<b>Assessors</b>	<p><b>Deadline for Appealing SOL Valuations to ATB</b></p> <p>(every fourth year after 2005)</p>
<b>August 15</b>	<b>Assessors</b>	<p><b>Deadline to Vote to Seek Approval for Authorization to Issue Optional Preliminary Tax Bills</b></p> <p>For semi-annual communities issuing optional preliminary property tax bills, the Assessors must vote to seek authorization to issue the bills from DOR by this date. After receiving approval,</p>

		Assessors must submit a Pro-forma Tax Rate Recap Sheet to DOR for review and issue the tax bills by October 1.
<b>August 31</b>	<b>DOR/BOA</b>	<p><b>Issue Instructions for Determining Local and District Tax Rates</b></p> <p>A copy of the Tax Rate Recap Sheet and its instructions are forwarded to the community.</p>
<b>August 31</b>	<b>Assessors</b>	<p><b>Begin Work on Tax Rate Recapitulation Sheet (to set tax rate for semi-annual bills)</b></p> <p>Until the Tax Rate Recap Sheet is completed and certified by the Commissioner of Revenue, the community may not set a tax rate nor send out its property tax bills (unless it issues preliminary quarterly tax bills or requests from DOR the authority to send out preliminary tax notices if DOR requirements are met). Communities should begin gathering the information in enough time for the tax rate to be set and tax bills mailed by October 1. The Tax Rate Recap Sheet provides Mayors or Selectmen with a ready-made financial management tool because the town's most important financial management information is summarized on this form. The Mayor or Selectmen should review the Recap Sheet in preliminary form in order to understand the following financial information:</p> <p><b>Page 1 (Tax Rate Summary) -</b> The proposed tax levy should be compared to the levy limit. If a community does not levy to its limit, the remaining levy is referred to as excess levy capacity. Excess levy capacity is</p>

		<p>lost to the community for the current fiscal year although it will always remain in the levy limit calculation.</p> <p><b>Page 2 (Amount To Be Raised)</b> -This section includes appropriations and other local expenditures not appropriated. These include overlay deficits, revenue deficits, state and county charges, Cherry Sheet offset items, and the allowance for abatements and exemptions. By comparing this information to the prior year(s), any significant changes can be determined.</p> <p><b>Page 2 (Estimated Receipts &amp; Revenues From Other Sources)</b> -In particular, Section C shows the amount appropriated from free cash and other available funds. By comparing the amounts appropriated to the balances in these accounts (available from the Accountant/Auditor), the Mayor or Selectmen can get a sense of how their non-property tax revenues are being used.</p> <p><b>Page 3, Schedule A (Local Receipts Not Allocated)</b> -By comparing these figures to prior year(s), the Mayor or Selectmen can determine any changes in these revenues.</p> <p><b>Page 4, Schedule B (Certification of Appropriations and Source of Funding)</b> -This section includes financial votes of City/Town Council or Town Meeting not previously reported on last year's recap.</p>
<p><b>Final Day of Each Month</b></p>	<p><b>State Treasurer</b></p>	<p><b>Notification of Monthly Local Aid Distribution</b></p>

Click [www.mass.gov/treasury/cash-management](http://www.mass.gov/treasury/cash-management) to view distribution breakdown.

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