

City & Town

Christopher C. Harding, Commissioner • Sean R. Cronin, Senior Deputy Commissioner of Local Services

May 7th, 2020

A Message from the Lieutenant Governor Regarding the Community Compact Program

Lieutenant Governor Karyn Polito



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In these uncertain and difficult times, and as we continue to receive feedback and support from you as we work together to fight COVID-19 in all 351 of Massachusetts' cities and towns, we are acutely aware of the challenges you face in each of your

communities. Your municipal leadership and continued collaboration have been instrumental, and for that, we are incredibly grateful. Now, more than ever, it is critical that we continue our partnership and that we work together to do what is best for municipalities across the state.

In addition to the frontline battles you are all facing, we know there continues to be a need for maintaining municipal government and its operations. We remain committed to supporting and enhancing these local needs. Many of you are familiar with the Community Compact Program, which is designed to aid the individual and specific issues of cities and towns. The [Community Compact Program](#), a voluntary, mutual agreement, provides municipalities with the opportunity to identify and implement at least one best practice from across a variety of areas. These best practices are unique and reflect an opportunity to improve services within each municipality.

Important Dates & Information

Attention Assessors: BLA and MA IAAO Co-hosting Class 504 Workshops via Zoom

State Class Code 504 property is business personal property owned by regulated public utility companies used in the distribution of natural gas to customers or used in electric power transmission and distribution within each municipality. This property is subject to taxation based on assessed values determined by local boards of assessors under M.G.L. Ch. 59 and subject to review and certification by DOR.

Instructor: Gary McCabe, CAE

Continuing Education Credits: 2.0 hours

Cost: Free

Workshop 1: Tuesday, May 12th at 1:00pm
Workshop 2: Thursday, May 14th at 9:30am

The flexible, community-tailored focus, and fiscal resources offered under the Community Compact Program have helped each of our Commonwealth's unique 351 cities and towns over the last four years. I write today to remind you that even though these are unprecedented times, we are currently accepting applications for participation and encourage you to submit an application by no later than mid-June.

The Governor and I have always said that our Commonwealth is only as strong as each of its 351 cities and towns. As we work together to battle this epidemic, that remains true. We will continue to work closely to address the needs of each one of our Commonwealth's municipalities and remain in constant contact with local officials. For non-COVID related municipal solutions, the [Compact program](#) is an additional tool to help serve the needs of your communities and we will continue to support them.

For more information on the Community Compact Program, reach out to DLS Senior Deputy Commissioner Sean Cronin at croninse@dor.state.ma.us.

Potential Impacts of COVID-19 on Property Taxes: Things to Consider

Joanne Graziano – Local Assessment Bureau Chief

The following article is intended to help local officials navigate challenges related to assessing property taxes.

Assessing at Fair Cash Value

Assessors are required by Massachusetts law to assess all real and personal property at its fair cash value as of January 1 each year. Fair cash value correlates to fair market value,

To sign up for a workshop, please complete [this registration form](#). A confirmation will be provided along with instructions for access instructions via email. Questions? Please contact Ellen Brideau at ebrideau@medford-ma.gov

U.S. Department of Commerce Grant Availability

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides the Economic Development Administration (EDA) with \$1.5 billion for economic development assistance programs to help communities prevent, prepare for, and respond to coronavirus. [Click here for additional information.](#)

CANCELLED: 2020 New Officials Finance Forum

Due to the ongoing uncertainty surrounding the current COVID-19 state of emergency, the Division of Local Services (DLS) has

the price a willing buyer and a willing seller would settle upon in an open market transaction. Property assessments are retrospective in Massachusetts and based on the market conditions that occurred in the previous calendar year. The date of value for the assessments for the upcoming FY2021 reflects January 1, 2020. The LA3 Sales Analysis report demonstrates that assessments are at or near the statutory standard of fair market value and that there are not significant variances in assessment levels among the property classes. This is measured by an assessment to sales ratio with a median that must range between 90% to 110% for all classes. This requirement maintains an equitable approach to the allocation of the property tax burden.

Finalizing assessments for FY2021, the assessor will review the real estate market in calendar year 2019. While it's not possible to completely ignore the financial collapse of certain businesses due to the COVID19 crisis, the assessor is expected to minimize the influence of this new information by viewing through the eyes of market participant as of the assessment date, the beginning of the year. To learn more about property taxes, please view our [Property Taxes webpage](#).

COVID19 Impact on Assessments: While the COVID19 crisis has severely impacted unemployment and certain businesses, it is unclear what effect it will have on the market for real estate. Because assessments are retrospective, any abatement due to overvaluation filed in FY2021 must be based on the analysis of market conditions that occurred in 2019 or an actual error in data and not on the COVID19 impact. It will be essential to continually communicate this message to taxpayers through information provided on community's websites. Over this next year, assessors will be monitoring the real estate market and see its impact on sales and investment properties in preparation for assessments for FY2022.

New Growth

Tools Available for Tracking New Growth with Restrictions on

cancelled its annual New Officials Finance Forum (NOFF) previously scheduled for Thursday, June 4th at the College of the Holy Cross in Worcester. Please note that DLS remains committed to providing helpful guidance and instruction to municipal officials through our recently developed [Municipal Finance and Training Resource Center](#).

New 2020 IGRs

The Division of Local Services has issued the following Informational Guideline Releases (IGRs) regarding the form and content of tax bills and cost of living adjustments for FY2021 and the LOLV value limit for calendar 2020. You can view other recent IGRs on [this webpage](#).

[IGR 20-1 Fiscal Year 2021 Tax Bills Semi-annual Payment System](#)
[IGR 20-2 Fiscal Year 2021 Tax Bills Semi-annual Payment System – Optional Preliminary Bills](#)
[IGR 20-3 Fiscal Year 2021 Tax Bills Semi-annual](#)

Inspections: This will likely be the most challenging area for assessor in the current situation. When property has changed due to building permits and other improvements to the property, it requires onsite inspections. For personal property, it requires visits to a business. Alternative approaches that allow for necessary inspections and adhere to public safety protocols are underway.

Tracking building permits in a database for new growth is important throughout the year. This will assist with monitoring the status of completion. Also, there are many tools available that assist assessors with online parcel imagery. Products available in the market use oblique imagery (three dimensional views) that assist with measurements and parcel change detection software that can detect changes in property using aerial photography. GIS software can also assist with measurements. Be sure to review the [Bureau of Local Assessment's](#) resources on tracking new growth at [BLA Tax Rate and New Growth Forms](#). For additional information on new growth, please see the [DLS Municipal Finance Training and Resource Center's](#) recently posted [video on the subject](#).

Preparing for Preliminary Tax Bills

It is always a priority for municipalities to generate timely tax bills to maintain a predictable and relied upon cash flow to the community. Communities sending quarterly tax bills mail the 1st quarter tax bill by July 1. The 1st quarter bill is a preliminary or estimated tax bill primarily based on last year's assessed value. With the current situation, many of the data changes normally made by assessors, prior to the creation of the preliminary tax bill file, have been delayed. As May begins, time has become an important factor in the effort to generate timely 1st quarter tax bills. It is important to prioritize the data changes that most need to be accomplished before generating the preliminary tax bill file, such as new homes and condominium units, lot splits and new commercial development. The priority is to generate timely tax bills. The 1st and 2nd quarter tax bills are preliminary and the final tax amounts will be reconciled with

[Payment System – Annual Preliminary Bills](#)
[IGR 20-4 Fiscal Year 2021 Tax Bills Quarterly Payment System](#)
[IGR 20-5 Social Security Deduction for Fiscal Year 2021](#)
[IGR 20-6 Optional Cost of Living Adjustment for Fiscal Year 2021 Exemptions](#)
[IGR 20-7 Calendar Year 2020 Adjustment in Land of Low Value Foreclosure Valuation Limit](#)

GFOA Financial Policy Challenge

For 2020, the Government Finance Officers Association (GFOA) has launched a [Financial Policy Challenge](#) to encourage members to adopt and share financial policies. Financial policies provide guidelines for financial decision making and set the strategic intent for financial management and are central to a strategic, long-term approach to financial management.

To support this effort by GFOA, the Division of Local Services has built over a dozen financial policy manuals for cities and

the actual tax bills in the 3rd and 4th quarter.

Options for Valuation Related Delay

Given the current uncertainties, setting the FY2021 tax rate may present unique challenges locally due to valuation related delays caused by the pandemic. Assessors can choose the following options to prepare for any delay in the tax rate setting process.

- Semi-annual tax billing communities can issue semi-annual optional preliminary tax bills.
- Quarterly tax billing communities can issue third quarter preliminary tax bills.

These options would provide the community with a continued source of revenue until the tax rate is set and the actual tax bills issued.

Conducting a Virtual Hearing

The Classification Hearing is subject to the requirements of the Open Meeting Law. On March 12, 2020, Governor Baker issued an Executive Order modifying certain requirements of the Open Meeting Law. The Attorney General's website notes the following.

The Executive Order relieves public bodies from the requirement in the Open Meeting Law that meetings be conducted in a public place that is open and physically accessible to the public, provided that the public body makes provision to ensure public access to the deliberations of the public body through adequate, alternative means. "Adequate, alternative means" may include, without limitation, providing public access through telephone, internet, or satellite enabled audio or video conferencing or any other technology that enables the public to clearly follow the proceedings of the public body in real time. A municipal public body that for reasons of economic hardship and despite best efforts is unable to provide alternative means of public access in real time may instead post on its municipal

towns in Massachusetts. [Click here](#) to learn more about how the DLS Technical Assistance Bureau can help your community build a set of formal written financial policies to meet this challenge.

DLS Links:

[COVID-19 Resources and Guidance for Municipal Officials](#)

[Municipal Finance Training and Resource Center](#)

[Local Officials Directory](#)

[Municipal Databank](#)

[Informational Guideline Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

website a full and complete transcript, recording, or other comprehensive record of the proceedings as soon as practicable afterwards.

In addition, all members of a public body may participate in a meeting remotely; the Open Meeting Law's requirement that a quorum of the body and the chair be physically present at the meeting location is suspended.

For more detailed information on Governor Baker's Executive Order, please visit [the Attorney General's website](#).

Reviewing Options to Shift the Tax Rate

Each year, before the tax rate can be set, the select board, town council or city council hold the Classification Hearing and decide what percentage of the tax burden will be paid by each of the classes of property: residential, open space, commercial and industrial real estate and personal property. A policy choice is made between a single rate (taxing all property owners at the same rate) or a split tax rate (taxing the Commercial, Industrial and Personal Property (CIP) classes at a higher rate than the Residential and Open Space (RO) classes). This shift in the tax burden between classes can only be done within legally defined limits. If the board or council votes for a split tax rate, a decision is made about how much to shift, within those legally defined limits.

It's not the assessors' job to make these decisions. However, it is the assessors' responsibility to provide the select board, town council or city council with the information they need to make informed decisions about tax rates and the effects different shifts in the tax burden between classes will have on the tax rates.

In the coming months, assessors will be analyzing the real estate market and the effects of these changes to prepare the FY2021 property assessments. The pandemic crisis could impact new growth estimates. There could also be changes in assessment levels between classes. There is a tool in Gateway that could help assessors monitor the effects of



these changes in anticipation of their responsibilities for the Classification Hearing. Here is an excerpt from a previous [City & Town article \(October 5, 2017\)](#).

Gateway's Options Table, found in the Reports section of the Tax Rate and District Tax Rate modules, is a useful tool for reviewing shift options prior to the classification hearing. It can be used to investigate the impact of various CIP shifts, residential exemptions and small commercial exemptions. Note, the resulting data is not saved in Gateway but can be exported to Excel for distribution. The table is meant to be independent of most tax rate forms, making it useful year-round. Valuation data loads from the LA-4 form if available, or it can be data entered or changed as necessary while values are still being finalized. The Max Shift Allowed field uses the same logic found on the LA7 and Chapter 200 reports, but it uses the valuation totals on the Options Table instead of the actual LA4.

Assessors can use the Gateway Options Table even before they've generated final assessed values. They can test "what if" scenarios with estimated values to measure the impact of any potentially dynamic changes in the local real estate market that could impact decisions about possible shifts in the tax rate.

Important Upcoming Release Dates for FY2021 Valuations

The following valuation programs will be issued timely. On June 1, the Bureau of Local Assessment will post the 2020 Equalized Valuations (EQVs) representing the full and fair cash value of all taxable property for each municipality as of January 1, 2020 to the DLS [Gateway website](#).

In early June, informal virtual hearings will be conducted for the convenience of communities who wish to question their proposed EQV. A formal hearing will follow. Details will be noted in the release as to how this will be conducted. Final State-Owned Land Values and DCR Water Supply Protection Land Values for FY2021 will also be posted on June 1 on the

DLS website and by June 15 assessors can review the FY2021 Central Valuation of Telephones and Pipelines assessments.

Data Highlight of the Month: FY2021 Community Preservation State Match

Lisa Krzywicki – Data Analytics & Research Bureau

FY2021 Community Preservation State Match - *May 1, 2020*

DLS customarily provides guidance on the estimated first round state match for the Community Preservation Act (CPA). While current events have made estimating the state match a challenge, we have calculated a conservative estimate for use in municipal budget discussions.

A change to fees collected by the Registry of Deeds went into effect on January 1, 2020. This change was implemented to boost the CPA trust fund balance to provide for a greater state match. The COVID-19 outbreak will undoubtedly have an impact on the transactions at the Registry of Deeds. Unfortunately, the magnitude of that impact is impossible to project. The best estimate we can provide, based on the current fund balance and an estimate of locally committed surcharges, would be a match of 11.2%.

We will provide updated guidance on the state match percentage as additional data becomes available. This can be found on the DLS website by clicking [here](#). For more information or help using any of these reports, contact us directly at databank@dor.state.ma.us.

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