



Deputy
Commissioner
Robert G. Nunes

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New Officials Finance Forum Highlights

128 local officials joined 29 DLS staff on Thursday, June 5th for the annual New Officials Finance Forum in Worcester. With an emphasis on the basics, the day fostered a team approach to municipal finance by developing an understanding of the responsibilities of the various offices as well as their interrelationships. It began with Deputy Commissioner Robert Nunes' opening remarks and topics presented during the seminar included an overview of municipal government, the budget process, the tax recapitulation process and reserve and debt policies. Attendees also participated in group exercises with DLS table facilitators.



(Pictured above: Upton Finance Committee member Angie Thompson works on an exercise with DLS staffer Jared Curtis.)

We want to thank all the officials who took time out of their busy schedules to attend. We would also like to acknowledge the 59 individuals who responded to the subsequent survey assessing the event. Your feedback is appreciated!

Part 1: Proposition 2 1/2's Levy Limit Components and a Statistical Review over the Last Decade

Joe Boudreau - BOA Field Representative, Tom Guilfoyle - BOA Supervisor of Accounting and Tony Rassias - BOA Deputy Director

This is the first of a three part series reviewing Prop 2 1/2's levy limitation components along with statistics from FY2004 to FY2013. Part One will focus upon levy limit components, and will begin an FY2014 levy limit calculation. Part Two will focus upon the levy ceiling and Part Three will discuss the maximum allowable levy. The levy limit calculation shown in all Parts is organized on the basis of the levy limit worksheet found on [Gateway's levy limit report page](#).

It was a taxpayer revolt! The national economy was in a recession, unemployment was rising, interest rates were double-digits, Washington Public Power Supply System defaulted on \$2.25 billion of bonds, Proposition 13 was in, and the Massachusetts four percent tax cap wasn't working. "Taxachusetts," as it was jokingly called, was primed for a strict tax cutting measure which passed by ballot in November of 1980. - [A Sketch of the History of the Massachusetts Bureau of Accounts and Related Matters in the Growth and Development of Municipal Finance by Anthony A. Rassias](#)

In November of 1980, the people of Massachusetts passed by ballot vote Proposition 2 1/2 (MGL Chapter 580 of the Acts of 1980), a law that, among other things, placed constraints on city and town property tax levies beginning in FY1982.

Since that time, these levies have been limited by the law's provisions

and approved by the Bureau of Accounts as part of the annual tax rate certification process. Even 33 years since its passage, Prop 2 1/2 initiates considerable discussion and debate.

The property tax levy is the revenue a community raises through real and personal property taxes each fiscal year when it sets its tax rate. The law established three types of annual levy limits: a levy limit, a levy ceiling and a maximum allowable levy. The levy limit is incremental and allows a permanent but controlled annual increase to the tax levy. The levy ceiling caps the levy limit for that fiscal year at 2.5 percent of the current fiscal year's total assessed full and fair cash value for real and personal property. The levy limit may be increased or decreased by locally adopted referenda, but may not exceed the levy ceiling. The levy ceiling may be increased temporarily by certain locally adopted exclusions. The maximum allowable levy is the maximum amount of property tax a community may raise in a fiscal year. The following will outline the levy limit components.

Levy Limit Components

The Base or Prior Year Levy Limit

The base or starting point for calculating a community's levy limit is its prior year levy limit.

When Prop 2 1/2 was first implemented in FY1982, however, a community's prior year tax levy was the base for calculating the following fiscal year's levy limit. In 1983, the Legislature made the prior year levy limit the base in order to remove any disincentive to levy below the limit in particular years. (MGL Chapter 641 of the Acts of 1983)

For example, let's assume an FY2013 Levy Limit base of \$10,000,000 for our calculations.

Amended Prior Fiscal Year New Growth

This growth, certified by the Bureau of Local Assessment, is based on the value of new construction and/or new articles of personal property omitted or increased and committed for payment after the original commitment. The certified amended amount adds to the Base in the calculation of the following fiscal year's levy limit.

Table 1 shows the total number of communities and total certified tax dollar amounts that affected levy limits from FY2004 to FY2013. The Table shows that although the largest total dollar amount affected the FY2006 levy limits, the largest total number of amended new growth submissions certified affected the FY2008 levy limits.

Table 1 - Amended Prior Fiscal Year New Growth

Amended Prior Fiscal Year New Growth										
	Fiscal Years									
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
# Certified	40	42	51	57	70	50	51	44	55	47
\$ Certified	1,842,242	456,115	2,489,570	1,410,600	1,877,705	1,190,355	1,906,472	816,676	1,857,189	1,450,135

Fiscal Facts:

- The largest amount certified was \$1,277,000 in FY2012 for Cambridge, and the smallest amount was \$9 in FY2011 for Dracut;
- About 81% of communities certified for FY2013 had also applied at least once before in the decade;
- For FY2013, the average tax dollar growth amount certified was about \$31,000. Without including Boston and Cambridge, the average was about \$18,000.

Submissions for FY2014 may also reflect the reporting of previously unassessed or misreported articles of personal property assessed after a personal property audit under MGL c. 59, s. 31A, that would have qualified as new growth in certain prior fiscal years. See Section III-F of [IGR 13-402](#) for further details.

Let's assume the following:

FY2013 Omitted and/or increased Residential value	\$250,000
FY2012 Residential Tax Rate	x \$14.00/000
FY2013 Amended Prior Fiscal Year New Growth	= \$3,500

The Annual 2.5 Percent Increase

Prop 2 1/2 allows an automatic 2.5 percent increase to the Base which includes amended prior fiscal year new growth in calculating the following fiscal year's levy limit.

Let's assume the following:

FY2013 Base	\$10,000,000
FY2013 Amended Prior FY New Growth	+ \$3,500
Subtotal	= \$10,003,500
FY2014 2.5 Percent Increase	x then = \$250,088

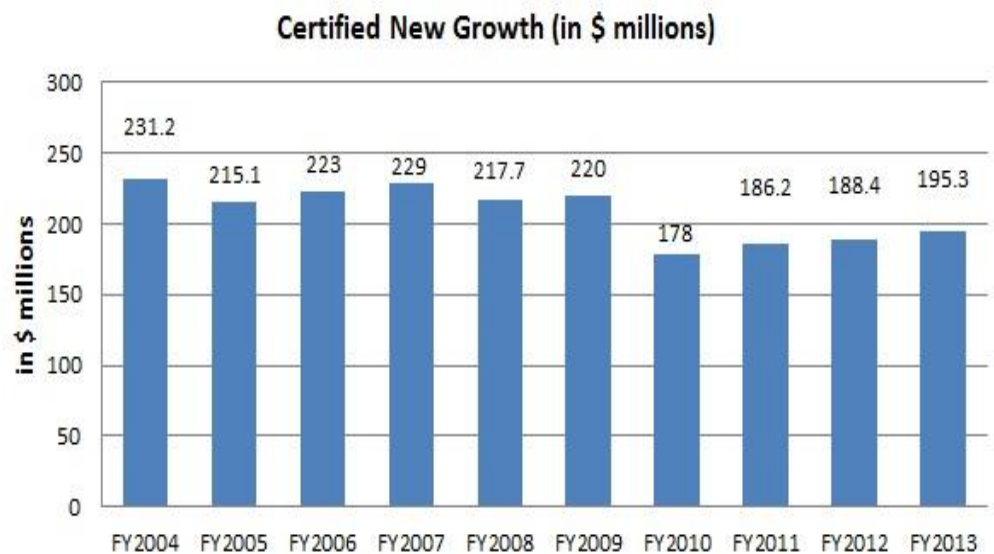
Current Fiscal Year New Growth

Prop 2 1/2 allows for an increase to the levy limit by an amount based on the assessed value of new construction and new articles of personal property.

When first enacted, Prop 2 1/2 had no provision for increasing the levy limit based on the value of new construction. City and town officials argued, and the Legislature agreed, that without such a provision essential government services would be severely impacted as service costs could not keep pace with a growing population. (Chapter 782 of the Acts of 1981)

Chart 1 shows certified tax dollar amounts for new growth from FY2004 to FY2013. FY2004 began this period with the highest amount certified at \$231.2 million, which then decreased to the lowest amount certified in FY2010 at \$178 million reflecting market conditions at that time, and increased to \$195.3 million in FY2013.

Chart 1 - Certified New Growth



Fiscal Facts:

- The largest amount of new growth certified was \$37,647,801 in FY2011 for Boston and the smallest amount was \$3 in FY2012 for Gosnold;
- Over the decade, communities with greater than \$1,000,000 certified in any year had more of it certified from CIP growth; communities with less than \$1,000,000 certified in any year had more of it certified from residential growth;
- For FY2013, the largest amounts certified were for Boston (\$28.3 million), Cambridge (\$9 million), and Springfield (\$5.9 million);
- For FY2013, the largest percentages of residential new growth applied to the levy limit were for Dover (99 percent), Groton (97 percent) and Mount Washington (96 percent).

Let's assume the following:

FY2014 Residential New Growth Value	\$26,000,000
FY2014 CIP New Growth Value	\$2,000,000
Subtotal Total Growth Value	\$28,000,000
FY2013 Tax Rate for all Property Classes	x \$12.00/000
FY2014 Total Current Fiscal Year New Growth	= \$336,000

New Growth Adjustment

Certified new growth that included an extraordinary assessment on property or properties subsequently granted an abatement in large part, may be reduced by the Bureau of Local Assessment in any year. Any 2.5 percent increment added to that certified growth amount in any subsequent fiscal year may also be reduced. This levy limit component has affected less than ten communities over the last several fiscal years.

Let's assume that FY2012 certified new growth included \$175,000 in tax dollars attributable to a parcel subsequently granted an abatement in large part and that a New Growth Adjustment of \$150,000 was required by the Bureau of Local Assessment.

FY2012 Certified New Growth Adjustment	\$150,000
2.5 Percent FY2013 Increment Adjustment	x then + \$3,750
Subtotal	= \$153,750
2.5 Percent FY2014 Increment Adjustment	x then + \$3,844
FY2014 New Growth Adjustment	= \$157,594

Overrides: MGL c.59, s.21C (e,g) & Underrides: MGL c.59, s.21C (h)

The law enacted two types of adjustments in the levy limit that may be approved by the voters in a referendum: Overrides and Underrides.

Overrides

The first is an override, (MGL c. 59, s. 21C (g)), which permanently increases the levy limit beginning in the particular fiscal year indicated in the vote. A majority vote of the board of selectmen or town or city council (with the mayor's approval if required by law) may place an unlimited number of override questions on a regular or special municipal election ballot, but only three on a state biennial election ballot. Overrides may not be placed on the ballot by a town meeting vote or by any local initiative referendum procedure authorized by law. This first form of override:

- has specific wording written in the law which includes a dollar amount, purpose(s) and applicable fiscal year;
- may vote a permanent increase to the levy limit up to the levy

- ceiling;
- may be voted as a single question (with general or specific spending purposes), as multiple questions "pyramid style" (with different dollar amounts but same purpose(s), highest dollar amount voted prevails) or "menu style" funding different services or programs;
- requires a majority vote of the electorate for approval.

In a second form of override, (MGL c. 59, s. 21C (e)), which has not been voted since the 1980s, the tax levy is over the levy ceiling and a levy reduction equal to the lesser of: a.) 15 percent of the prior fiscal year's tax levy or b.) the amount by which the prior fiscal year's levy exceeds the current fiscal year's levy ceiling is required. This situation could occur in a community that taxed at its levy ceiling in one year and experiences a large assessed value reduction in the next. This form of override reduces the amount of required levy reduction and will be discussed more so in Part Two of this series.

Table 2 shows that there were 1,081 override votes taken from FY2004 to FY2013. Over the decade, the percentage of override losing votes exceeded winning votes and in only three fiscal years did the number of winning votes exceed losing votes.

Table 2 - Override Wins and Losses: FY2004 to FY2013

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	#	%
Wins	79	80	92	52	48	60	33	26	21	19	510	47%
Losses	81	79	78	88	53	81	28	30	31	22	571	53%
Totals	160	159	170	140	101	141	61	56	52	41	1081	100%

Fiscal Facts:

- 510 wins were voted by 155 communities (150 towns and five cities) and 571 losses were voted by 147 communities (135 towns and 12 cities);
- 59 percent of communities with winning votes had populations of under 10,000;
- 78 percent of communities with populations under 15,000 had winning votes;
- 52 percent of communities with losing votes had populations of under 10,000;
- 73 percent of communities with losing votes had populations of under 15,000;
- 62 percent of communities with losing votes also had winning votes.

Table 3 - Override Wins in Tax Dollars

Override Wins in Tax Dollars	
FY2004	\$39,613,252
FY2005	\$27,003,697
FY2006	\$49,226,762
FY2007	\$33,972,216
FY2008	\$35,828,357
FY2009	\$37,096,518
FY2010	\$16,381,529
FY2011	\$13,017,907
FY2012	\$15,281,365
FY2013	\$10,181,069

Fiscal Facts:

- For the past decade, the fiscal year with the largest total override amount was FY2006 with about \$49.2 million and the smallest was FY2013 with about \$10.2 million;
- Override winning vote amounts ranged from \$6,490,000 for Arlington in FY2012 to \$750 for Northfield in FY2006 and losing vote amounts from \$8,459,000 for Dartmouth in FY2008 to \$182 for Tolland in FY2006;
- The town with the most winning votes in the decade was Edgartown with 26 over eight fiscal years; the town with the most losing votes was Aquinnah with 27 over four fiscal years;
- 140 cities and towns did not take an override vote over the decade.

For our example, let's assume an FY2014 override vote passed for \$100,000.

Underrides

Underrides permanently decrease the levy limit beginning in the particular fiscal year indicated in the vote. A majority vote by the board of selectmen, city or town council (with the mayor's approval if required by law) may place an unlimited number of underride questions on a regular or special municipal election ballot, but only three on a state biennial election ballot. Underrides may be placed on a ballot by a local referendum procedure authorized by charter or special act. An underride: a.) has specific wording written in MGL c. 59, s. 21C (h) which includes a dollar amount, and applicable fiscal year; b.) may be voted in any amount; and c.) requires a majority vote of the electorate for approval.

Fiscal Facts:

- Eight underride votes were taken in seven different communities (six towns and one city);

- Seven winning votes ranged from a required reduction of \$1,032,724 for Lancaster in FY2005 (won by one vote) to \$10,833 for Gill in FY2005;
- The losing vote was for \$1,000,000 in Amesbury for FY2008.

Now, let's assume an FY2014 override vote passed for \$20,000.

Levy Limit Calculation for FY2014:

Step 1:	The FY2013 Base (Prior Year Levy Limit)	\$10,000,000
Step 2:	Add Amended Prior Fiscal Year New Growth	+ \$3,500
Step 3:	Subtotal Step 1 and Step 2	= \$10,003,500
Step 4:	Multiply subtotal by 2.5 percent	x then + \$250,088
Step 5:	Add FY2014 New Growth	+ \$336,000
Step 6:	Subtract FY2014 New Growth Adjustment	- \$157,594
Step 7:	Add FY2014 Override	+ \$100,000
Step 8:	Subtract FY2014 Underride	- \$20,000
Step 9:	Subtotal Steps 3 through 8	= \$10,511,994
Step 10:	Compare to FY2014 Levy Ceiling	\$xx,xxx,xxx

Conclusion

With the exception of amended prior fiscal year new growth, the new growth adjustment, and certain perfecting amendments passed soon after the law's enactment, the levy limit's calculation has remained to this point much the same. Comparing the preliminary (incremental) levy limit to the levy ceiling, such as in Steps 9 and 10 above, will be the focus of Part Two of this series.

For further information, see the Division of Local Services' Publications [Levy Limits: A Primer on Proposition 2 1/2](#) and [Proposition 2 1/2 Ballot Questions - Requirements and Procedures](#).

Reminder: July 1st Deadline for Submission of Assessors Qualification Form

Debra Joyce - Bureau of Local Assessment Program Coordinator

DLS issued its annual Assessors Qualification Summary form for FY15 on May 21, 2014. The form has been sent to assessors and must be certified by their local city or town clerk before being returned to DLS

by July 1st. Submission of the form allows DLS to ensure that assessors and assistant assessors meet the minimum qualifications for assessing personnel under state law. City or town clerks certify the current members of a local board of assessors in their capacity as a community's chief election officer and administrator of the oath of office.

As of June 17th, 281 cities and towns have returned the form. Failure to return this form may hinder a community's certification or the tax rate setting process. If assessors have not received their community's form or have questions, please email Debra Joyce at joyced@dor.state.ma.us or call 508-792-7300 extension 22315.

BMFL Customer Survey Results Released

Bob Bliss - DLS Regional Manager and Director of Strategic Planning

A recent survey of local officials who access services provided by the Bureau of Municipal Finance Law (BMFL) shows extensive utilization and a high rate of satisfaction with the bureau.

Assessing officials comprised 44 percent of the survey's 384 respondents, collection/treasury officials 18 percent, accountant/auditors 20 percent, city or town clerks nine percent, municipal counsels eight percent and state officials one percent.

Asked to rate their overall experience with BMFL, 41 percent called it "excellent," 42 percent called it "above average," ten percent called it "average," less than one percent called it "poor" and seven percent said they had no experience on which to base a rating.

"The level of expert knowledge, consistency of opinion and discipline in advising, but not interfering in community decisions is incredibly impressive. The strength is in the personnel," said one survey respondent.

The survey revealed that amongst the respondents, there was a high level of interactions with BMFL ranging from the reading of Information Guideline Releases, legislative bulletins, *City & Town* articles, FAQ's and other DLS publications interpreting municipal tax and finance law (93 percent), to use of the "Attorney of the Day" phone/email service to obtain guidance or information (69 percent).

Nearly 70 percent of respondents said they use the "Attorney of the Day" service a few times per year, while 23 percent said they never have used it.

Asked to identify the BMFL services of greatest value to DLS stakeholders, 59 percent said a searchable data base of written

advisory opinions and IGRs (DLS is currently in development of just such a searchable database).

Asked to rate "timely responses to applications and inquiries," 33 percent said "excellent," 35 percent said "above average," 19 percent said "average," three percent said "poor" and eleven percent had no opinion.

In her comment on the survey, Municipal Finance Law Bureau Chief Kathleen Colleary said, "We are committed to providing excellent customer service, so it is very gratifying to learn that our local and state stakeholders find our technical assistance and other services on local tax and finance laws to be valuable and of high quality.

"We will continue to look at ways to better meet the tremendous ongoing demand for individual guidance under our 'Attorney of the Day' phone and email service while also allocating time and resources to other work products we think will provide lasting benefits to all DLS stakeholders. This will include searchable data bases of our written advisory opinions, IGRs and Bulletins, which stakeholders identified as being of greatest value to them and we are now developing," Colleary said.

Survey questions generated 165 individual comments, all of which may be viewed along with the overall survey results by clicking [here](#).

FY2015 Pipeline Company Central Valuations

Bureau of Local Assessment

Local boards of assessors will find the Fiscal Year 2015 pipeline company central valuations pursuant to M.G.L. Chapter 59, Section 38A on our [website](#). Also included is a memorandum to assessors about the FY2015 valuation as well as the new growth figures and a list of company billing addresses.

Attention Assessors: Free E-Learning Course Available for Fraternal Organizations on Tax Responsibilities

Help get the word out! The Department of Revenue's online [DOR University](#) has recently developed a new [free e-learning course](#) on the tax responsibilities of fraternal organizations. Fraternal organizations are considered a type of Chapter 180 Corporation, which are formed for charitable or other purposes. You've probably heard of, if not attended, events hosted by such organizations such as the Veterans of

Foreign Wars, Sons of Italy, Elks Club, Knights of Columbus, and Massachusetts Freemasonry.

Based on their status, fraternal organizations have specific tax obligations.

In the e-learning module, participants will learn what qualifies as a Chapter 180 corporation and a fraternal organization; the taxation responsibilities of Chapter 180 Corporations; and the requirements or exemptions of some fraternal organizations. While the e-Learning module focuses on the tax obligations at a state level, it also breaks down some IRS and local requirements. Because different fraternal organization events can result in different tax requirements and exemptions, there are numerous examples of such events and the tax obligations for each.

The e-learning module takes about an hour to complete and includes interactive self-assessments throughout to help users apply what they've learned in various scenarios. At the end of the course, participants have the option to take an overall learning assessment, with additional feedback and examples. Participants can even print a free certificate of understanding.

This [free e-learning course](#) is available on DOR's public webpage under the [DOR University](#). From there, just click on the e-learning course!

June Municipal Calendar

June 1	Clerk	Certification of Appropriations This is done after City/Town Council or Town Meeting so the Accountant may set up accounts for each department in the municipality.
June 1	Assessors	Determine Valuation of Other Municipal or District Land In certain communities where land is owned by another community or district, the value of the land is determined by the Assessors in the year following a revaluation year, for in-lieu-of-tax payments.
June 1	DOR/BLA	Notification of Proposed EQVs (even numbered years only)
June 1	DOR/BLA	Notification of SOL Valuations (every 4th year after 2005)
June 10	DOR/BLA	Concludes Public Hearings on Proposed EQVs (even numbered years only)

June 10	DOR/BLA	Concludes Public Hearings on Proposed SOL Valuations (every 4th year after 2005)
June 15	DOR	Commissioner Determines and Certifies Pipeline Valuations
June 15	Assessors	Deadline for Appealing Commissioner's Telephone & Telegraph Valuations
June 15	Assessors	Make Annual Preliminary Tax Commitment The preliminary tax commitment must be based on the prior year's net tax on the property and may not exceed, with limited exceptions, 50% of that amount. This should be done early enough for the annual preliminary quarterly or semi-annual bills to be mailed by July 1.
June 20	Assessors	Final Date to Make Omitted or Revised Assessments As required by M.G.L. Ch. 59, Sections 75 and 76, if a property is inadvertently excluded or mistakenly under-assessed on the warrant for property taxes, it is the Assessors' role to correct the mistake and assess the property correctly. Such an assessment may not be made later than June 20 of the taxable year or 90 days after the date the tax bills are mailed, whichever is later.
June 30	Assessors	Overlay Surplus Closes to Surplus Revenue Each year, any balance in the overlay reserve accounts in excess of the remaining amount of the warrant to be collected or abated in that year, is certified by the Assessors. The transfer from overlay reserves to the overlay surplus is done on the Assessors' initiative or within 10 days of a written request by the chief executive officer. Once in overlay surplus, these funds may be appropriated for any lawful purpose. Any balance in the overlay surplus at the end of the fiscal year shall be closed to surplus revenue and, eventually, free cash.
June 30	Assessors	Physical Inventory of all Parcels for Communities that Accepted M.G.L. Ch. 59, Sec. 2A(a)

June 30	Taxpayer	<p>Deadline for Applying to Have Land Classified as Forest Land, M.G.L. Ch. 61 According to M.G.L. Ch. 61, Section 2, this is the deadline to apply to the State Forester to have land classified as forest land.</p>
June 30	Assessors	<p>Submit Annual Report of Omitted or Revised Assessments</p>
June 30	Assessors	<p>Last Day to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of Ch. 59, Sec. 5 If an exemption is granted to a residential property owner, the property tax is lowered, and the city or town collects fewer tax revenues than anticipated. These exemptions are partially reimbursed by the state as indicated under "Exemptions", section B of the Cherry Sheet.</p> <p>It is the responsibility of the Assessors to submit all exemptions to DOR so that the community may be reimbursed for statutory exemptions. If the Assessors fail to submit a request, the community's loss of tax revenues will not be offset by exemption reimbursements from the state. These reimbursements may not be filed retroactively for any year.</p> <p>If tax bills are mailed late, assessors may submit requests for reimbursement until August 20.</p>
Final Day of Each Month	State Treasurer	<p>Notification of monthly local aid distribution. Click www.mass.gov/treasury/cash-management to view distribution breakdown.</p>

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