



December 1st, 2022



In this edition:

- **DLS Improves Our Website**
- **The New Verizon Settlement: FY2023 – 2027**
- **Ask DLS: Chapterlands**

By the Numbers

City & Town provides updates on the progress of the tax rate and certification season while also allowing you to follow the tax rate setting process in real time. Thanks to our Municipal Databank staff, this public information is available 24/7 by [clicking here](#).

Preliminary Certifications Approved: 55

Final Certification: 48 (of 70 total)

LA4 (Assessed Values) Approved: 307 (317 submitted)

LA13 (New Growth) Approved: 307 (315 submitted)

Tax Rates Approved: 126

Balance Sheets Approved: 195

Total Aggregate Free Cash Approved: \$1,411,632,797

Important Dates & Information

DLS Posts Three Webinars

Recorded versions of recently held DLS webinars are now available on

DLS Improves Our Website

Kirsten Shirer - Data Analytics & Resources Bureau Chief

Have you visited the DLS website lately? If you have, you've probably noticed quite a few changes. We constantly look for ways to improve and enhance our web content, and to expand our library of reports and analytics. We'd like to point out a few recent additions and changes that we think you'll really like!

DLS's main organization page (www.mass.gov/dls) offers new options in the "Most requested" icon group. Clicking [Local Aid/Cherry Sheets](#) takes you to a page containing Chery Sheet estimates, local aid and state payment distribution reports, state owned land data, and more. Click the [Publications and Financial Tools](#) icon to find publications like our *City & Town* newsletter, guidance on property assessment, accounting and financial management, and our library of [financial management tools and templates](#). Many of these tools can be incredibly useful during the tax rate setting process; two examples are the [Residential Exemption Calculator](#), to help determine the potential impact of adopting a residential exemption, and the Impact of [Proposition 2 ½ Referendum report](#) for judging the impact of various Prop 2 ½ exclusions and overrides.

Also new to the DLS home page are links to our video library, a revamped DLS section that currently highlights our [Foundations in Municipal Finance](#) training, and an innovative new report that tells you at a glance [how close your community is to setting a tax rate](#).

our YouTube channel. These include:

Submitting Proposition 2 ½ Votes Using DLS Gateway webinar held in November. During this webinar, DLS staff reviewed each step of the process, provided a brief demonstration and answered questions. The [recorded version](#) of the webinar is now available on our YouTube channel, along with the [presentation slides](#). Refer to the division's [How to Enter Proposition 2 ½ Votes in DLS Gateway](#) for more information.

Everything You Ever Wanted to Know About Cherry Sheets held in October. DLS staff provided detailed information about the annual cherry sheet process and answered questions. The [recorded webinar](#) is now available on our YouTube channel, along with the [presentation slides](#). For more information, refer to the division's [Cherry Sheet Estimates](#), [Preliminary Cherry Sheets](#), and [Final Cherry Sheets](#).

Role of the Treasurer webinar held in August. DLS staff highlighted the key duties of the treasurer, statutory requirements associated with the position, and how other members of the local financial management team must work together with the treasurer while carrying out their own functions and to ensure thorough management of municipal finances. The [recorded webinar](#) is now available on our YouTube channel, along with the [presentation](#) from the webinar. Refer to the division's [Transitioning Government: Elected to Appointed presentation](#), and [Tax Taking Webinar](#) to learn more. Additional resources highlighted include the [Cash Flow Forecast](#) and [Municipal Finance Tools & Templates](#).

DLS Introduces *Foundations in Municipal Finance for the New Official Online Training*

DLS recently published a new online training entitled, [Foundations in Municipal Finance for the New Official](#). The new series of virtual training modules covers key concepts important to new local officials or those who seek a better understanding of municipal finance, outlines the budget process in both practical and policy terms, highlights best practices for sound financial management, and explains how each municipal official's role contributes to the overall financial health of a community.

We recommend starting with the Introduction and continuing with the

[View the DLS Events Calendar](#) [Log into DLS Gateway or view public reports](#)



Are you a new official? Our [Foundations in Municipal Finance](#) training will help you get started.

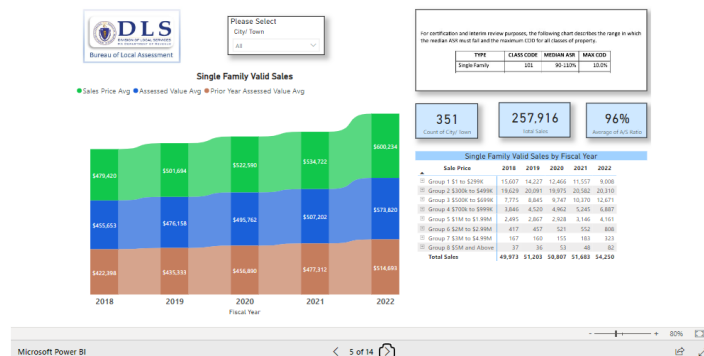


Want to know how close your community is to setting a property tax rate? Use our new [Tax Rate Status Report](#) to find out.

Receive the latest news and information from DLS: [Sign up for DLS Alerts](#)

Our [Data Analytics & Visualizations](#) tile leads you to DLS's library of reports and analytics. Near the top of the page you'll notice a new option: [Municipal Finance Visualizations](#). This page features interactive Tableau, Power BI and Logi Analytics reports including a new Local Assessment Dashboard developed by BLA. This dashboard provides a wealth of assessment data, with charts and explanatory text that make the information very accessible, no matter how much you know about assessing.

BLA's Local Assessment Dashboard



Looking for the DLS bureau pages? You can find all of them in one location: the new DLS Bureaus and Services section of our home page. And if you still need COVID guidance, that option has moved to the More Actions and Services section.



We've also released some improvements to the [DLS Training & Resource Center](#) to make it easier and faster to find the information you need. Are you a new official? There's a [special page just for](#)

Summer, Fall, Winter and Spring modules following the fiscal year calendar. We hope you enjoy [Foundations in Municipal Finance for the New Official](#).

Latest Issue of *Buy the Way* Now Available

Don't miss Issue #18 of [Buy the Way](#), the official magazine of the Operational Services Division (OSD).

Qualifications of Assessors IGR

The Division of Local Services (DLS) Municipal Finance Law Bureau (MFLB) has issued a new Informational Guidelines Release (IGR). IGR 2022-15 establishes the minimum qualification standards assessors must meet to qualify to perform the duties of their office.

[IGR-2022-15 – QUALIFICATIONS OF ASSESSORS](#)

To access IGRs, LFOs and Bulletins, please visit this [webpage](#).

Balance Sheet and Tax Rate Recap Gateway Processes Instructional Videos Now Available

As the end of the calendar year approaches, please watch our new step-by-step videos that walk through the processes for submitting your community's balance sheet and tax rate recapitulation for DLS review.

Balance Sheet Checklist - As of July 1st, 2022, the revised balance sheet checklist is now a DLS Gateway form that must be completed as part of the Bureau of Accounts free cash certification review process.

This instructional [video](#) walks through how to complete the twenty questions that appear on the newly formatted balance sheet checklist.

Tax Rate Recap, Page 3 Support Form - As of July 1st, 2022, the new Gateway tax rate recap page 3 support form must be completed and submitted as part of the Bureau of Accounts tax rate recap approval process.

This [video](#) provides detailed instruction on how to complete the four tabs associated with the new page 3 support form. Prior to starting the page 3 support form, please input the actual and estimated local receipt figures on page 3 of the tax

[you](#). We've highlighted resources like our publications like our videos, published guidance and financial tools, and we've made it possible to search our extensive training library in three ways: by topic, by the position you hold, or by the business process (like issuing motor vehicle bills or reconciling cash.)

First time? Start here.



Popular Resources

[View our video library >](#)

[Publications >](#)

[Tools and calculators >](#)

[Expand all](#)

Resources by topic

(10) +

Resources by position

(4) +

Resources by process

(12) +

All of these new offerings are part of DLS's division-wide, core objective: to provide our municipal partners with the guidance and information they need to ensure financial stability and smooth operations. What else can we provide that might be useful? Please let us know! You can contact me (shirer@dor.state.ma.us) with suggestions, comments or questions. I hope you find all of these changes helpful, and I look forward to hearing from you!

The New Verizon Settlement: FY2023 – 2027

DLS Bureau of Local Assessment

The Commissioner of Revenue is responsible for valuing taxable personal property for of all landline telephone companies with such assets situated in the commonwealth (under MGL Chapter 59, §39.) The Commissioner assigned the Division of Local Services' Bureau of Local Assessment (BLA) to handle valuation. Our consultant develops a valuation table and Economic Obsolescence (EO), we collect the returns, and calculate the value. The Commissioner of Revenue annually issues fair cash valuations of taxable telephone personal property to telephone companies and boards of assessors to be posted by June 15th. Telephone

rate recap. Once these figures have been entered and saved, the page 3 support form will automatically populate based on the numbers entered in the tax rate.

If you have questions or need additional information, please contact your [Bureau of Accounts field representative](#).

IGR Regarding the Borrowing Amount of an Approved Prop 2½ Debt Service Exclusion

The Division of Local Services (DLS) Municipal Finance Law Bureau (MFLB) has issued a new Informational Guidelines Release (IGR). IGR 2022-14 explains the policies of the Commissioner of Revenue regarding the borrowing amount covered by an approved Proposition 2½ debt service exclusion. It also includes new procedures and forms to be used by cities and towns with approved debt exclusions for obtaining a determination about the inclusion of cost increases. [IGR-2022-14 – PROPOSITION 2½ DEBT EXCLUSIONS](#)

To access IGRs, LFOs and Bulletins, please visit this [webpage](#).

Overview of Municipal Debt Training Video

DLS has added a new informational [video](#) on municipal debt to the [Municipal Finance Training and Resource Center](#) and our [YouTube page](#). The video provides a brief overview of municipal debt, how it's authorized, and the roles local officials and others play in the issuance process. The training video also highlights a number of DLS resources available to help municipal staff better understand municipal debt.

These include our existing municipal debt videos like the [Deeper Dive into Municipal Debt playlist](#). You can also review [informational guideline releases](#) and access our [debt service calculator](#) as a guide to project debt service payments. These and other municipal debt-related resources are all available on the [debt and borrowing section](#) of our training page.

Pandemic Flexibility Provisions Extended

On July 16th, 2022, Ch. 107 of the Acts of 2022 was signed into law, extending certain pandemic-related policy measures. This bill authorized

companies and boards of assessors have the right to appeal by July 15th with the Appellate Tax Board ("ATB") claiming that the Commissioner's certified values are "substantially too high or substantially too low."

Verizon New England, Inc. is a centrally valued telephone company whose taxable telephone personal property (poles, wires, underground conduits, wires, pipes and generators) is valued by the Commissioner. Verizon owns property in every Massachusetts community and is the largest telephone company (71% of FY2023 telephone values) in Massachusetts. Verizon operates a regulated legacy landline telephone system originally created with copper lines. Verizon also operates an unregulated fiber system known as FIOS in about one-third of Massachusetts communities.

While the Commissioner has litigated two valuation cases concerning Verizon's property, each fiscal year's central valuation can be appealed and requires a full valuation hearing. Verizon filed over 1,000 appeals for fiscal years 2010 through 2017. The prior settlement resulted in refunds that all municipalities agreed to and paid, allowing many communities access to overlay accounts. Many municipal officials expressed the opinion that the settlement delivered financial certainty by eliminating future appeals for FY2018 through FY2022, a critical component of their endorsement of the resolution.

The prior Verizon settlement accomplished two goals. First, it resolved all appeals relating to Verizon's FY2010-FY2017 central valuations that were pending before the ATB and any municipal appeals. Second, the settlement sought to ensure the elimination of litigation for FY2018 through FY2022 with an agreed upon depreciation methodology for the valuation of Verizon's property that arrived at fair cash value.

As we neared the end of the original Verizon settlement, the Commissioner explored whether continuing the settlement was appropriate and under what terms. The Commissioner and Verizon discussed the potential of an extension agreement. Initially the Commissioner requested, and Verizon provided, information then

the continuation of remote meetings and public access under the Open Meeting Law and other remote meeting provisions (including for Massachusetts nonprofit corporations and Massachusetts public companies) until March 31, 2023. [Click here to view the law.](#)

For additional related information and resources, please see the [DLS COVID-19 Resources and Guidance for Municipal Officials page](#).

DLS Links:

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

[Events & Training Calendar](#)

[Municipal Finance Training and Resource Center](#)

[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

[Tools and Financial Calculators](#)



analyzed by BLA staff and our telephone consultant George E. Sansoucy, P.E., LLC. Before engaging in negotiations with Verizon, the Commissioner contacted Attorney Anthony Ambriano from Sassoon Cymrot Law, LLC who represented some municipalities in the original settlement to determine interest in a settlement extension. Attorney Ambriano, on behalf of his municipal clients, was provided Verizon's data responses and participated in the ensuing negotiations.

The Commissioner's endorsement depended on support of municipalities affected by the resolution. Based on input from various municipal interests and for stated reasons, the Division of Local Services, with counsel for the Commissioner, believes the settlement extension is in the best interests of municipalities. We then asked boards of assessors, in consultation with appropriate municipal officials, to evaluate their support, or concerns regarding the settlement extension. This group indicated substantial support.

The Commissioner agreed to value Verizon's taxable personal property for FY2023-FY2027 in accordance with the same Reproduction Cost New Less Depreciation methodology that's been the basis for telephone central valuations for the past 16 years (the "RCNLD Methodology") using an agreed upon depreciation schedule that makes limited, but municipality-favorable adjustments to the schedule used in FY2022. The critical inputs for the Commissioner's RCNLD Methodology once the property is trended to replicate cost-new are: (1) service life of each property category. (2) property's depreciation floor; and (3) percentage of any reduction of economic obsolescence ("EO") deducted from the values.

The new schedule continues to address two issues affecting valuation of Verizon's personal property: first, the valuation of the legacy copper cable along with fiber optic cable used in support of the historic landline telephone system throughout the Commonwealth; second, the fiber to the premises ("FTTP") property installed in support of Verizon's FiOS voice, data and video.

As wireless voice communications and internet communications services have affected the telecommunications industry and

undercut the long-established primacy of the landline telephone system, the Commissioner's methodology for FY2018 to FY2022 had incorporated a 35% EO deduction for Verizon's legacy property. Recognizing the evolution of telecommunications, the prior agreement addressed valuation differences between the FiOS FTTP property categories and the legacy system by providing smaller and declining EO deductions for FTTP property. The valuation of FiOS FTTP property tended to increase as the EO deduction was lowered and the valuation of traditional landline systems continued to decrease.

While Verizon's legacy landline telephone system has continued to lose customers, Verizon and the Commissioner have agreed to not increase the 35% EO deduction on the legacy network property categories, which is favorable to municipalities. At the same time, the Commissioner believes Verizon's efforts to integrate more fiber optics into the legacy system potentially implicates multiple business formats which indicates to the Commissioner that a 35% EO deduction on new fiber added to the legacy system in the coming years may not be appropriate. The FiOS system is not distressed in the same way as the legacy system, but the increased use of cell service, streaming, and "cutting the cord" for cable TV has affected anticipated growth of the FiOS product.

The new schedule for the next five fiscal years incorporates adjustments that recognize lower EO deductions for new fiber optic property in the legacy system as well as lower EO deductions for the FiOS FTTP categories. For the legacy system, five categories of fiber optic property will be subject to a 25% EO deduction for property installed in 2021 and thereafter, rather than a 35% reduction by a simple continuation of the prior agreement. For the FTTP systems, the EO deduction was 16% for FY2023 just as it was for FY2022. However, thereafter the deduction is reduced as follows: 15% (FY2024), 14% (FY2025), 13% (FY2026) and 12% (FY2027). For the first year of installation of new FTTP property, there would continue to be no EO deduction as was also true under the FY2018 through FY2022 agreement.

EO Deduction Adjustments

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Fiber Installed Prior to 2021	35%	35%	35%	35%	35%	35%
Fiber installed 2021 and after	35%	25%	25%	25%	25%	25%
All FTTP*	16%	16%	15%	14%	13%	12%

*First year installed for new FTTP property has no EO deduction

Given the information available, we believe the new schedule will result in fair cash valuations for reported property for each of the ensuing five fiscal years. As part of the new agreement extension, Verizon will also agree to provide more detailed financial and accounting records that we believe will assist in evaluating the value of Verizon's property across its various business platforms. As long as the Commissioner values Verizon's property consistent with the new schedule, Verizon will agree not to file any petitions at the ATB challenging the valuation methodology except in response to a municipality filing an ATB petition seeking higher values in which case Verizon may, in certain circumstances, retain the right to argue for lower values in the ATB proceedings.

Verizon has made clear that its agreement to the terms of the schedule for FY2023 through FY2027 and the reduction of the EO deductions it includes does not mean that any future agreement would continue to trend the reductions. The Commissioner has also made clear that resolution under these terms does not mean that valuations after FY2027 will necessarily continue to include EO deductions at the same level as are set forth in the new schedule.

As with the FY2018 through FY2022 agreement, the Commissioner retains statutory power to ensure Verizon is accurately reporting original costs for all taxable personal property and that property is reported in correct categories. The parties would continue to use their best efforts to avoid any disputes over amount of property, original cost of property or categorization of property being valued, but any disputes would be resolved under the statutory appeal process – without litigation over methodology. Municipalities would have the right to request the property reported by Verizon in their communities per written request under terms specified.

Verizon and municipalities that signed agreements waive the right to appeal the Commissioner's central valuations performed in

accordance with the settlement extension for FY2023 through FY2027. Verizon retains the right to file a cross-appeal against a non-signing municipality that appeals and to seek a lower value under certain circumstances. Under the extended agreement with Verizon, the Commissioner will value Verizon's centrally valued telephone property under the agreement terms whether or not a municipality executes the agreement.

The Commissioner considered an extension of the prior settlement given the perception that municipalities approved of the financial certainty that this type of agreement provided. The Commissioner also believes that an extension under the proposed schedule arrives at fair cash valuations consistent with his statutory obligation. That said, telephone property valuation is not an exact science and any proceeding before the ATB would certainly involve disputed opinions of value. Without an agreement there is a significant likelihood of litigation that could take years to resolve and expose municipal finances to significant refunds with interest.

The possibility of ongoing challenges to the Commissioner's methodology during a time when the telecommunications industry is in transition from its historical role also favored seeking common ground for determining fair cash valuations. The stability and certainty of a definitive financial result coupled with an agreement that eliminated future valuation trials through FY2027 was a compelling argument in favor of resolution for all parties who participated in the negotiations. The attorney for the municipalities involved in these negotiations was part of the negotiation process that resulted in the agreement for FY2023 to FY2027.

In **non-FiOS** communities, valuations are expected to remain relatively stable and may increase to the extent Verizon adds property to its system in your community. To the extent this property is in the fiber optic categories subject to the reduced EO deduction of 25%, this agreement provides more value than under the prior agreement.

If your community is a **FiOS** community the EO for FTTP categories is the same for FY2023 as it was for FY2022, but will trend lower for

FY2024 through FY2027 as indicated above. To the extent Verizon adds property to its legacy system in the fiber optic categories subject to the reduced EO deduction of 25%, this agreement will also provide more value than under the prior agreement.

Verizon provided no assurance that more non-FTTP property will be added in every community. Our records indicate that a.) in the past five fiscal years additional property in some of the non-FTTP fiber optic 5 categories were added in 322 Massachusetts communities, and b.) in the past three fiscal years additional non-FTTP fiber optic property was added in approximately 307 communities.

Ask DLS: Chapterlands

This month's *Ask DLS* features frequently asked questions concerning chapterlands. Please refer to our [Chapterland FAQs](#) for more information on this topic. Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

A wealthy money manager just purchased a mansion property containing 27 acres of land. The new owner now describes himself as a farmer and has applied to the local assessors for Chapter 61A agricultural/horticultural classification. By this means he seeks to reduce his property tax bill. Is the property eligible for Chapter 61A classification?

The parcel does not qualify since it does not meet the gross sales requirement for the two immediately preceding tax years. The owner should consider Chapter 61B for the land if it is kept in substantially a natural, wild, or open condition or in a landscaped or pasture condition.

Title to a family farm classified under Chapter 61A is held in the name of a corporation. The father is President, Vice President, Secretary, and Treasurer. The adult children serve as Directors. The father wants to retire and sell the property to his son. He wants to dissolve the corporation and the son wants to create

an LLP to take ownership of the property and to operate the business under a different name. Does the municipality have any rights and do penalty taxes apply?

Change of ownership does not affect classified status, but the new owners will have to reapply for classified land status following the annual cycle. There is no right of first refusal rollback or conveyance tax where there is no change of use and the proper affidavit is filed with the assessors.

A farmer built a deluxe farmstand on a one-acre portion of his 200-acre farm which is classified under [Chapter 61A](#). The town had declined to exercise its right of first refusal to purchase the property. How were the penalty taxes calculated? What would be the rate of interest, if any, in the calculation of the penalty tax?

As a general rule, a landowner must pay one of two "penalty" taxes, a roll-back or conveyance tax, when the use of classified land is changed to a non-qualifying use. No penalty tax is assessed, however, when the change in use is for a residence for the owner; the owner's spouse, parent, grandparent, child, grandchild, brother or sister, or the surviving spouse of those relatives; or an employee working full-time in the use and care of the property for its classified use. In this instance, the conveyance tax would be calculated using the one acre's value multiplied by the conveyance tax rate which declines from ten percent to one percent over the ten-year period since the owner's acquisition. If the conveyance tax does not apply, then rollback taxes would be imposed over a five-year look-back period.

A small farm has been sold to the owner's brother in a cash sale transaction. The buyer has begun to build a commercial automotive shop on the parcel. The deed has been recorded and notice of the sale was not sent to the town. Is the sale valid? What can the town officials do?

This is a cash sale so there is no bank halting the sale due to the [Chapter 61A](#) lien. The town attorney could consider seeking a court

injunction to stop construction of the automotive shop and compel the owner either to offer a right of first refusal to the town or pay penalty taxes.

Owner of land classified under Chapter 61B plans to sell 3 acres of the 7 acre parcel, which includes a family residence. New owner has no plans to develop the property further. Can the land still qualify under chapter 61B?

No. The new owner is acquiring insufficient land to qualify for classification under Chapter 61B. To qualify under 61B the land must consist of at least 5 acres of contiguous land under the same ownership. Here, the 3-acre parcel including the house will be taxed under Chapter 59.

Taxpayer owns 15-acres of land which are used for boarding horses and riding stables. The outdoor area is used primarily for horseback riding and consists of paddocks, riding rings, riding trails and open lands. The indoor area consists of barns, riding rings, arenas, and similar facilities.

Does the property qualify for [Chapter 61A](#)? [G.L. c. 128, § 1A](#) defines agriculture for purposes of zoning to include “the keeping of horses as a commercial enterprise.” [Chapter 61A](#), however, is a production statute which means horses must be raised for sale in the regular course of business. The taxpayer accordingly does not qualify for [Chapter 61A](#).

Does the property qualify for [Chapter 61B](#)? The parcel's vacant land would qualify for [Chapter 61B](#) if there were 5 acres of land for pasture or unpaved riding trails. Buildings and other structures would not qualify for Chapter 61B since they would interfere with environmental benefits. [G.L. c. 61B, § 1](#) includes with recreational activities “commercial horseback riding and equine boarding.”

Editor: Dan Bertrand

Editorial Board: Marcia Bohinc, Kasey Bik, Linda Bradley, Sean Cronin, Emily Izzo, Lisa Krzywicki and Tony Rassias

Contact *City & Town* with questions, comments and feedback by emailing us at cityandtown@dor.state.ma.us. To view previous editions, please [click here](#).

To unsubscribe to *City & Town* and all DLS alerts, email dls_alerts@dor.state.ma.us.

This email was sent to <<Email Address>>

[why did I get this?](#) [unsubscribe from this list](#) [update subscription preferences](#)

Massachusetts Department of Revenue - Division of Local Services · PO Box 7095 · Boston, MA 02204-7095 · USA