



February 1st, 2018

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Important Dates & Information

Housing Choice Designation Online Application Now Open
The [Housing Choice Initiative](#) provides incentives, rewards, technical assistance and targeted legislative reform to encourage and empower municipalities to plan and build the diverse housing stock that the Commonwealth needs to continue to thrive.

A Housing Choice Designation rewards communities that are producing new housing and have adopted best practices to promote sustainable housing development. Housing Choice designation provides 1.) Exclusive admission to new Housing Choice Capital Grants, Housing Choice Communities will be eligible for a major new capital grant program and 2.) Bonus Points for many Commonwealth grant and capital funding programs such as MassWorks, Complete Streets, MassDOT capital projects, and LAND and PARC grants.

DLS Unveils the Municipal Finance Trend Dashboard Sean Cronin - Senior Deputy Commissioner for Local Services

I'm pleased to announce that for the first time, the Commonwealth of Massachusetts is offering a comprehensive [Municipal Finance Trend Dashboard](#) currently available on the Division of Local Services (DLS) website! Governor Baker highlighted this initiative at the Massachusetts Municipal Association's (MMA) Annual Meeting on January 19th and I now welcome the opportunity to provide additional information here.

The dashboard is comprised of key municipal fiscal health indicators based upon data that is part of required municipal submissions to DLS, annual financial statements, state agency databases, and the US Census. It graphically displays trends in revenues and expenditures, municipal operating positions, demographic information, unfunded liabilities, property taxes, Proposition 2 ½ data, and debt. These municipal fiscal health indicators are displayed through dashboard data compiled over multiple fiscal years. Within each dashboard panel, we also identify the source for the live data point such as the Public Employee Retirement Administration Commission (PERAC) and the Massachusetts Department of Elementary and Secondary Education (DESE) and make every effort to ensure the accuracy of the information presented.

The Municipal Finance Dashboard offers a wide array of metrics broken down by subject that can be viewed both at the individual community level and on a state-wide basis. They include:

- [Operating Position](#) - Trends in certified free cash, stabilization fund balances, overlay reserves, general fund unassigned fund balances and outstanding receivables
- [Unfunded Liabilities](#) - Trends in pension liabilities, OPEB liabilities and fund balances for those municipalities that are self-insured for health insurance
- [Property Taxes](#) - Trends in average single family tax bills, new growth, levies, assessed values, excess and

Recognizing that small towns face different challenges, the Housing Choice Initiative will set aside funding for a competitive capital grant program exclusively for rural towns with populations under 7,000 as of July 2016 US Census Population estimates. \$1M in capital grant monies is expected to be available in the first year and to grow thereafter. Small towns can also apply for Housing Choice Designation.

The [online application](#) contains detailed information about the criteria for designation and submittal requirements. The application period will close on April 30, 2018 at 3:00pm. For more information about the program, please visit <https://www.mass.gov/housingchoice>.

FY2019 Preliminary Cherry Sheet Estimates

The Division of Local Services has posted on its website preliminary cherry sheet estimates based on Governor Baker's FY2019 budget recommendation (House 2).

[Municipal estimates receipts and charges](#)
[Regional school estimated receipts and charges](#)

House 2 recommends funding FY2019 Chapter 70 at \$4.851 billion, or \$103.6 million higher than the FY2018 level; increases Unrestricted General Government Aid (UGGA) by \$37.2 million to \$1.099 billion; and level funding most other cherry sheet accounts at the FY2018 amounts.

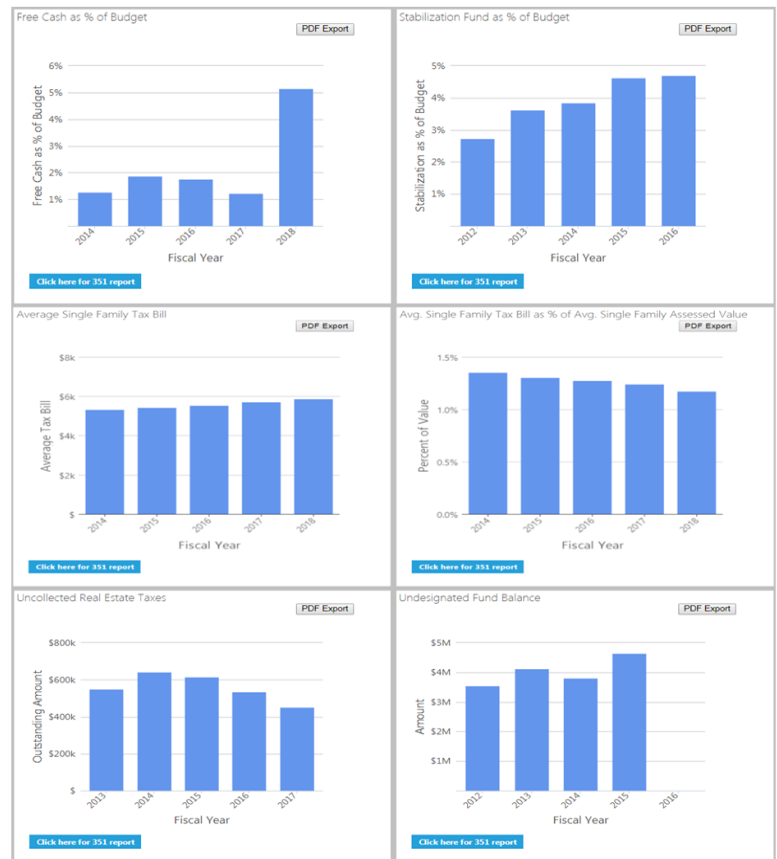
Cherry sheet estimates for charter school tuition and reimbursements are based on estimated tuition rates and projected enrollments under charters previously issued by the Board of Elementary and Secondary Education. Please be advised that charter school assessments and reimbursements will change as update tuition rates become available. Estimates for the school choice assessments may also change significantly when updated to reflect final tuition rates.

It is important for local officials to remember that these estimates are preliminary and are subject to change as the legislative process unfolds. The Department of Elementary and

override capacity and Proposition 2½ ballot questions

- [General Fund Revenues and Expenditures](#) - Trends in general fund revenues and expenditures
- [Demographics](#) - Trends in labor, income, population and equalized property valuations (EQVs)
- [Debt](#) - Trends in outstanding debt, debt service, bond ratings, and authorized but unissued debt

Below are a few example graphs from the dashboard:



For decades, [the Municipal Databank](#) has served as an invaluable resource for local and state officials, professional associations, academic institutions, bond rating agencies, advocacy organizations, think tanks, the media, and interested taxpayers for research, analysis, and policy development. We are now leveraging that resource to provide those same stakeholders a clearer portrayal of the fiscal health of all of Massachusetts' 351 cities and towns. Whether it's a finance director meeting with the finance committee, a member of the board of selectman referencing statewide trends, or the general public looking to learn more about certain financial metrics for their community, we think the information contained in the dashboard can serve innumerable purposes. To see how it could best suit your needs, we highly encourage you to take

Secondary Education (DESE) has published the Chapter 70 aid calculations, minimum contributions and net school spending requirements on the Office of School Finance website at: <http://www.doe.mass.edu/finance/chapter70>.

Please contact the DLS Municipal Databank at databank@dor.state.ma.us or (617) 626-2384 with any questions.

MUNICIPAL Databank



Other DLS Links:

[Local Officials Directory](#)

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

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

our [Municipal Finance Trend Dashboard](#) for a test drive.

The new dashboard makes it easier to get the information that you need. No longer will you need to pull down multiple spreadsheets, combine different datasets, and create charts and graphs. For these key metrics, that is done for you. (However, if you want the data for all 351 municipalities over multiple years, you can still download that. So no fears for those who like the raw data!) This is also a great transparency tool and hopefully helps simplify the analysis that goes into determining the fiscal health of a community.

I want to thank the entire DLS team for their hard work identifying the metrics, building the dashboard, and retrieving the data. As we move forward, we will provide updates and pursue additional metrics and variables, so if you have any feedback, please let us know by emailing me at croninse@dor.state.ma.us. We hope you enjoy and utilize the dashboard!

Reviewing FY18 Single-Family Residential Tax Bills

Andrew Nelson - Bureau of Accounts Supervisor

The state total single-family residential tax bill for FY2018 as of January 12, 2018 stands at \$5,857, an increase of \$241 or 4.3% from FY2017, according to data captured from 325 of the Commonwealth's 351 cities and towns in the Division of Local Services (DLS) Municipal Databank. In addition, the average value of a single-family residential home is \$418,618, the highest average value since the FY2008 average value of \$403,705, which was set as values were starting to drop in the real estate market.

So far in FY2018, for the 325 communities reporting valuation data to DLS that are part of this analysis, single-family residential values statewide represent:

- 77% of all residential class property assessed values
- 66% of all property assessed values

Analysis of data for this article is limited to single-family residential parcels, class code 101 residential, and does not include condominiums, multi-family homes or apartment buildings.

This article does not include for any fiscal year:

- communities for which a residential exemption was adopted, but later in this article will present the impact on their average bill if the property was eligible for the

exemption

- data for 11 communities for which no FY2018 tax rate has yet to be certified by the Bureau of Accounts, most notably for two cities: Holyoke and Lynn.

The State Total

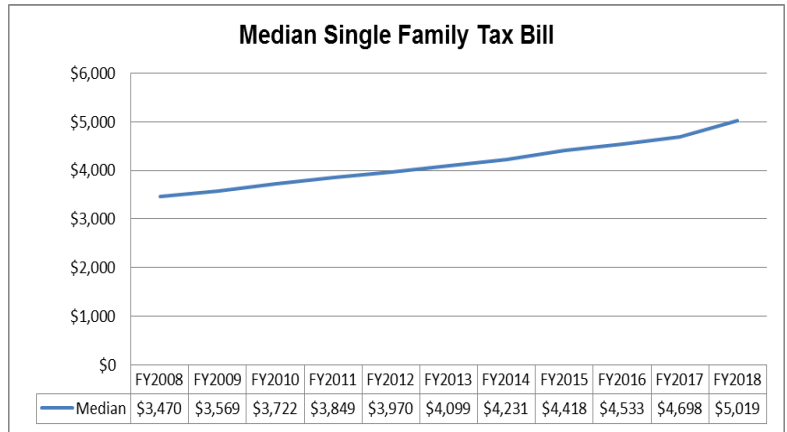
Calculation of the state total presumes that Massachusetts is one local governmental entity for which such a bill would be determined. While not a median of all community averages, the state total is presented and may be measured against itself from a prior fiscal year.

The below chart presents the calculation of the state total from FY2008 to FY2018. Note that the state total has annually increased over this period of time, but annually not more than 4% until FY2018. In addition, the chart below presents the average value for all single-family residential properties. The average value decreased from FY2008 to FY2013 by 12.2%, but from FY2013 to FY2018 increased by 18.2%. Overall, for the time period shown, the average value increased by 3.7%.

Fiscal Year	\$ Assessed Value (in \$ Billions)	Parcels (in Millions)	\$ Average Value	\$ State Total	# of Cities & Towns Included	\$ Inc from Prior FY	% Inc from Prior FY
2008	517.8	1.3	403,705	4,110	337		
2009	504.0	1.3	391,762	4,250	337	140	3.4
2010	481.7	1.3	373,702	4,390	337	140	3.3
2011	469.7	1.3	361,629	4,537	338	147	3.3
2012	466.9	1.3	358,687	4,711	338	174	3.8
2013	462.2	1.3	354,292	4,846	338	135	2.9
2014	464.6	1.3	355,314	5,020	338	174	3.6
2015	484.2	1.3	369,166	5,214	338	194	3.9
2016	503.2	1.3	382,834	5,418	337	204	3.9
2017	525.2	1.3	398,703	5,616	337	198	3.7
2018	540.8	1.3	418,618	5,857	325	241	4.3

The Median of Community Averages

The below graph shows the median or midpoint of all community averages for each fiscal year since FY2008. For FY2018, this median tax bill of \$5,019 represents an increase over FY2017's by \$321 or 6.8%.



Note: For 11 communities without an FY2018 tax rate and not represented in Graph 1, only one has historically averaged above the \$5,019 median tax bill shown above. If history proves true once again for these communities, the FY2018 median amount would drop by about \$108.

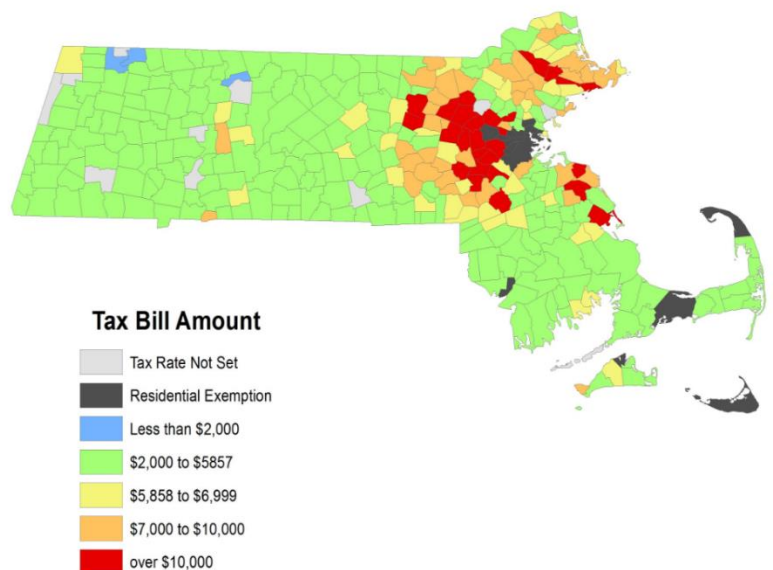
The Average by Community

DLS calculates a community's average single-family residential property tax bill by:

- dividing the total class code 101 assessed property values in the community by the number of parcels in that community's class code to establish an average property value for the class
- multiplying that average property value by the community's residential class tax rate as certified by the Bureau of Accounts for that fiscal year

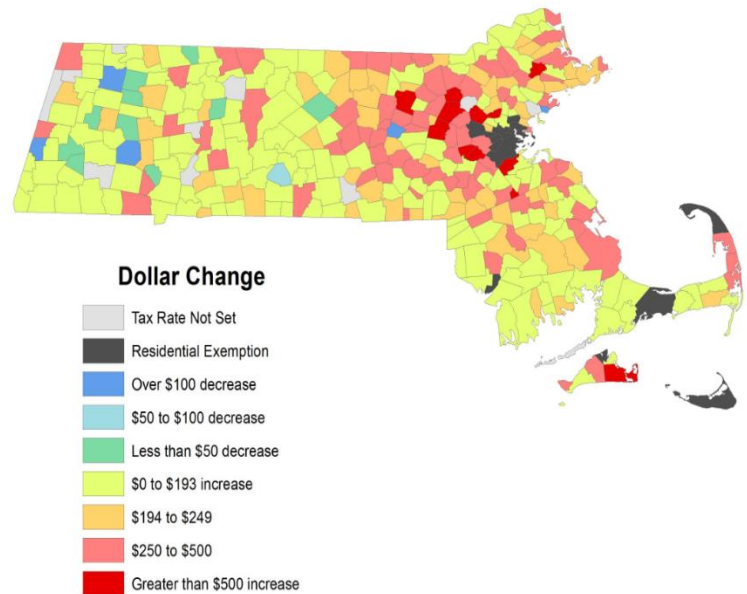
The following color-coded maps provide a visual representation of the FY2018 community averages around the State as well as their dollar changes from FY2017.

FY2018 Average Single Family Tax Bill



The map above shows how most of the communities in the western and central parts of Massachusetts have average tax bills at or less than the State Total of \$5,857. The map also shows a cluster of communities with average tax bills over \$10,000 just to the west of Boston.

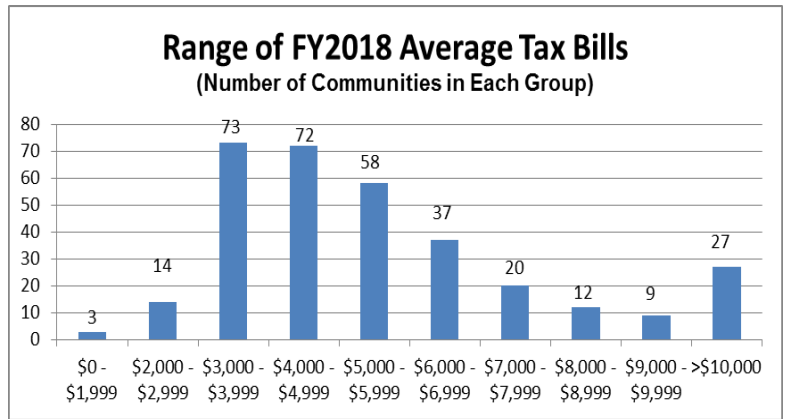
FY2018 Change In Average Single Family Tax Bill



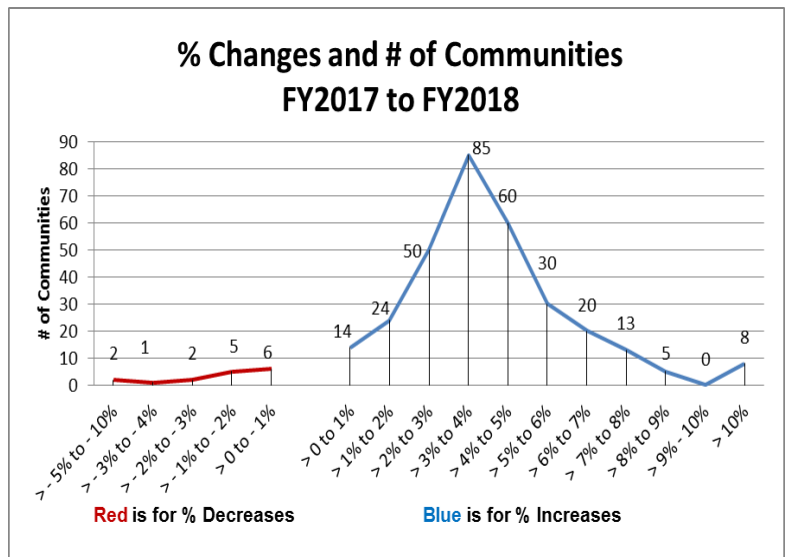
The map above, in conjunction with the previous map, shows that although many communities in the western and central parts of Massachusetts had lesser average tax bills than the state total, a number of them had greater than median average increases from FY2017. The median for all communities that increased their average tax bill was \$193. Statewide, 309 communities increased their average tax bill from FY2017 ranging from \$2 in Canton to \$843 in Avon. In addition, 16 communities actually decreased their average tax bill from FY2017 ranging from \$7 in Montgomery to \$595 in Berlin. The median for all communities that decreased their average tax bill was \$42.

The Range of Averages

The below graph shows that 73 communities have FY2018 community average single- family property tax bills in the \$3,000 to \$3,999 range followed by 72 in the \$4,000 to \$4,999 range category.



The next graph shows the number of communities increasing and decreasing their average tax bills from FY2017 to FY2018 by percentage increase and decrease. For example, 16 communities decreased their average bill anywhere from greater than .2% in Montgomery up to 9.3% in Berlin and 309 communities increased their average bill anywhere from greater than .03% in Canton up to 17.7% in Avon. For the 16 communities that decreased their bill, their median percentage decrease was 1.1%. For the 309 communities that increased their average bill, their median percentage increase was 3.8%.



The Highest and Lowest Averages

The following chart shows the communities having the 10 highest and lowest FY2018 average single-family residential property tax bills, both in descending order.

Highest and Lowest FY2018 Single Family Residential Property Tax Bill Communities					
Highest 10			Lowest 10		
Weston	\$19,653	Dover	\$14,670	Clarksburg	\$2,598
Lincoln	\$15,629	Concord	\$14,494	Windsor	\$2,591
Sherborn	\$15,496	Lexington	\$14,169	Becket	\$2,549
Wellesley	\$14,839	Sudbury	\$13,033	North Adams	\$2,542
Carlisle	\$14,701	Wayland	\$12,906	Savoy	\$2,524
				Tolland	\$2,501
				Royalston	\$2,446
				Florida	\$1,656
				Rowe	\$1,454
				Erving	\$1,325

The Statewide Trend in Current and Constant Dollars

The next chart shows the state total and median of community averages in current dollars as presented earlier in this article in relation to a constant dollar which controls for inflation. It shows that both the state total and the median of community averages dollar amounts have outpaced the rate of inflation over the time-period shown.

For example, the median of community averages FY2008 current dollar figure of \$3,470 adjusted for inflation represents a constant dollar figure of \$4,039 in FY2018. FY2018 in current dollars is \$5,019. As of FY2018 then, the current dollar state total figure has outpaced the constant dollar figure by \$1,075 or 18% and the median of community averages figure by \$980 or 20%.

Note that the state total is always in excess of the median. These two dollar amounts may be compared to themselves from a prior fiscal year, but given their methods of calculation are not comparable to each other.

	State Total				Median of Community Averages			
	Current Dollars	Constant Dollars	\$ Variance	% Variance	Current Dollars	Constant Dollars	\$ Variance	% Variance
FY2008	\$4,110	\$4,110	\$0	0%	\$3,470	\$3,470	\$0	0%
FY2009	\$4,250	\$4,082	\$168	4%	\$3,569	\$3,446	\$123	3%
FY2010	\$4,390	\$4,146	\$244	6%	\$3,722	\$3,501	\$221	6%
FY2011	\$4,537	\$4,258	\$279	6%	\$3,849	\$3,596	\$253	7%
FY2012	\$4,711	\$4,326	\$385	8%	\$3,970	\$3,654	\$316	8%
FY2013	\$4,846	\$4,387	\$459	9%	\$4,099	\$3,705	\$394	10%
FY2014	\$5,020	\$4,457	\$563	11%	\$4,231	\$3,764	\$467	11%
FY2015	\$5,214	\$4,484	\$730	14%	\$4,418	\$3,787	\$631	14%
FY2016	\$5,418	\$4,551	\$867	16%	\$4,533	\$3,844	\$689	15%
FY2017	\$5,616	\$4,665	\$951	17%	\$4,698	\$3,940	\$758	16%
FY2018	\$5,857	\$4,782	\$1,075	18%	\$5,019	\$4,039	\$980	20%

Note: Constant dollar amounts apply the CPI for all Urban Consumers – Boston and includes a 2.5% estimated inflation factor for FY2017 and FY2018.

The Residential Exemption Communities

Communities that adopted a residential exemption for any particular fiscal year are not included in either the state total or median averages as the Bureau of Accounts does not receive sufficient information as to how many class code 101 residential properties are eligible for the exemption in those communities.

For 15 communities that adopted the residential exemption in FY2018, the following chart shows the FY2018 dollar impact of the residential exemption on single-family residential properties (1) assessed at the community's median value and (2) deemed qualified to receive the exemption.

Community	Residential Exemption Percentage Voted	\$ Impact of Exemption on FY2018 Median Assessed Value	Community	Residential Exemption Percentage Voted	\$ Impact of Exemption on FY2018 Median Assessed Value
Barnstable	20%	\$896	Provincetown	20%	\$862
Boston	35%	\$2,538	Somerset	10%	\$442
Brookline	20%	\$2,334	Somerville	35%	\$2,883
Cambridge	30%	\$2,132	Tisbury	18%	\$1,414
Chelsea	27.5%	\$1,585	Truro	20%	\$903
Everett	25%	\$1,436	Wallham	30%	\$1,864
Malden	30%	\$2,068	Watertown	23%	\$1,820
Nantucket	25%	\$1,716			

Note: Per the Municipal Modernization Act ([c. 218 of 2016](#)) and [c. 326 of 2016](#), any community may adopt a residential exemption percentage up to 35% for FY2018.

For more information on the state total, average bills for communities, and statewide rankings, please visit the [DLS Municipal Databank](#).

Ask DLS: Personal Property Taxes

This month's *Ask DLS* features frequently asked questions about local taxation of personal property based on the legal entity of the owner. Additional questions about personal property taxes will be featured in future editions of *City & Town*. 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.

What exemptions apply to the personal property owned by an individual?

The primary exemption for individuals is for household furnishings and effects at the person's domicile. [M.G.L. c. 59, § 5, Clause 20](#). This includes the personal property kept in or about the house or garage. The domicile of a person is the place he or she calls home and intends to return to when away. Domicile is the place where the individual has his or her principal and legal home, is the place where family, social, civic and economic life is centered and where the applicant plans to return whenever he or she is away. Indicators of domicile include where the applicant votes, registers a car, spends most of his or her time, replies to the census, files tax returns from and has ties to the community, such as where the applicant's spouse and children live and where memberships in churches, clubs and social organizations, and where bank accounts, are maintained.

Individuals are also exempt on farming utensils and tools of trade of a mechanic. [M.G.L. c. 59, § 5, Clause 20](#). Farming utensils include hand tools and simple mechanical devices but not equipment such as tractors, combines, balers and the like, which are considered machinery. Tools of trade of a mechanic are hand tools, including hand-held electrical devices used in the vocation of the owner, but not lathes, table saws, routers

and other machinery generally bolted to or resting on the floor for support. A mechanic is a tradesman, such as a plumber, electrician, carpenter or auto mechanic and does not include a professional, such as an accountant, lawyer, dentist or doctor.

What exemptions apply to the personal property owned by a partnership or other unincorporated entity?

Partnerships, limited liability companies (LLCs), associations, trusts and other unincorporated entities that are NOT treated as corporations for federal income tax purposes are not entitled to any specific exemptions. They are subject to tax on all personal property they own except personalty subject to an alternative tax or assessment, such as motor vehicles subject to excise. This includes LLCs and other unincorporated entities treated as disregarded entities for federal income tax purposes. Partnerships include limited partnerships and limited liability partnerships. See [M.G.L. c. 59, § 18, Sixth](#). A partnership, LLC, association, trust or other unincorporated entity treated as a corporation for federal income tax purposes is treated as a corporation for local tax purposes. See [M.G.L. c. 59, § 5, Clause 16](#); [M.G.L. c. 63, §§ 1, 30](#), and [42B](#).

What exemptions apply to the personal property owned by a corporation?

Corporations are taxable on networks of poles, underground conduits, wires and pipes as personal property. Corporations are specifically exempt from local taxation for all other personal property that is not machinery. [M.G.L. c. 59, § 5, Clause 16](#). However, the type of machinery that is taxable depends on whether the corporation is a (1) business, (2) telephone, insurance or financial institution corporation, or (3) classified manufacturing corporation. Unincorporated entities treated as corporations for federal income tax purposes are subject to and exempt from local taxation as if they are actual corporations.

Out of state corporations not registered with the Massachusetts Secretary of State are not entitled to these property tax exemptions until they register, if so required. [M.G.L. c. 59, § 5, Clause 16\(4\)](#). In addition, out of state insurance corporations are entitled to the insurance corporation exemptions only if the state of incorporation or principal place of business (if a non-US corporation) extends similar exemptions to Massachusetts insurance corporations. [M.G.L. c. 59, § 5, Clause 16\(1\)](#).

What machinery owned by a business corporation is exempt?

Business corporations are taxable on machinery used in the conduct of business in addition to their poles, underground conduits, wires and pipes. However, machinery used in the conduct of business does not include machinery that is the corporation's stock in trade (inventory for sale or lease), or machinery that is directly used in laundering and dry cleaning, refrigeration of goods and air-conditioning of premises, or a

selling, purchasing, accounting or administrative function. [M.G.L. c. 59, § 5, Clause 16\(2\)](#). Business corporations include utility corporations, except telephone corporations.

What machinery owned by a telephone, insurance or financial institution corporation is exempt?

Telephone, insurance and financial institution corporations comprise the second category. They are taxable on machinery used in manufacture or supplying and distributing water in addition to their poles, underground conduits, wires and pipe. [M.G.L. c. 59, § 5, Clause 16\(1\)](#). This includes electric generating machinery. These corporations are exempt from personal property taxation for all other machinery. Financial institutions and insurance companies are listed in separate databases in the Corporations Book.

What machinery owned by a manufacturing corporation is exempt?

Corporations classified as manufacturing are entitled to the broadest exemptions and are not taxable on any machinery. Their only taxable personal property consists of their poles, underground conduits, wires and pipes. [M.G.L. c. 59, § 5, Clause 16\(3\)](#).

To receive this exemption, the corporation must apply to the Department of Revenue and be classified as a manufacturing corporation. Those corporations classified by the Department appear as a designated manufacturing (“M”) corporation on the Department’s annual list of corporations (“[Corporations Book](#)”) published on the Department’s website. The owner or board of assessors may appeal the Department’s approval, denial or revocation of manufacturing status. [M.G.L. c. 58, § 2](#).

Note that a local acceptance option provides for an exemption for research and development (R&D) corporations classified by the Department in communities that accept the option. See [M.G.L. c. 59, § 5, Clause 16\(3\)](#). A classified R&D corporation is entitled to the same exemptions as a classified manufacturing corporation, but only in the communities that have accepted the local option.

February Municipal Calendar

1 Taxpayer

Deadline to Pay 3rd Quarter Tax Bill

Per [M.G.L. c. 59, § 57C](#), this is the deadline to pay the 3rd quarter actual tax bill without interest unless the bills were mailed after December 31. If mailed after

December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later.

- | | | |
|----|-----------------|--|
| 1 | Taxpayer | Quarterly Tax Bills – Deadline to Apply for Property Tax Abatement
According to <u>M.G.L. c. 59, § 59</u> , abatements applications are due on February 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later. |
| 31 | State Treasurer | Notification of Monthly Local Aid Distributions, see <u>IGR 17-17</u> for more cherry sheet payment information, monthly breakdown by program is available <u>here</u> . |

Editor: Dan Bertrand

Editorial Board: Sean Cronin, Anthonia Bakare, Linda Bradley, Nate Cramer, Patricia Hunt and Tony Rassias

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