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In this edition:

- **Splitting the Differences: Reviewing Tax Rate Shifts**
- **Data Highlight: Multiple Tax Rates – CIP Shift**
- **Now Available: Webinar on Yarmouth's Streamlined Tax Rate Recap Process**
- **MassDOT Releases Chapter 90 Program Guidance Document**

Splitting the Differences: Reviewing Tax Rate Shifts
Susan Whouley - Bureau of Accounts Field Representative

In 1974, the Massachusetts Supreme Judicial Court held in the [Sudbury](#) case that the Commissioner of Revenue had both the power and the duty to direct assessors to maintain full and fair cash valuations. After this decision, and given how property was assessed at the time, many predicted a property tax burden shift from business to residential properties. Four years later, Massachusetts voters approved a Constitutional amendment authorizing the Legislature to classify real property into as many as four classes and to tax these classes differently. The following year, [the Massachusetts Classification Act](#) allowed cities and towns certified by the Commissioner of Revenue as assessing property at full and fair cash value, to adopt different tax rates for certain classes of property by local option and within certain legal limits. In effect, the property tax burden could then be shifted to the business classes.

Shifting the Property Tax Burden

Selectboards, town councils, and city councils must annually hold a public hearing, known as the classification hearing, to determine the percentages of the tax levy to be paid by each class of taxable property. This hearing must comply with the requirements of the state's Open Meeting Law, [G.L. c. 30A, §§18 - 25](#), and any other applicable local provisions, by-laws, ordinances or rules. At the hearing, local assessors should

- **Reminder: Community Preservation Forms Due Sept. 15th**

Important Dates & Information

DLS Seeks Public Finance Analyst/Field Representative

The Division of Local Services is seeking applicants for a Public Finance Analyst/Field Representative position within its Bureau of Accounts. The successful candidate will:

- analyze the financial reports and documents of the cities, towns, and counties, and districts of the Commonwealth to certify free cash and set tax rates
- audit financial records
- perform audit control functions
- provide technical assistance to agency staff and to jurisdictions
- oversee the processing of State House Notes

provide information regarding the policy decisions available under property tax classification. They must also provide all information and data relevant to making a decision on adopting a residential factor and determining the percentages of local tax levy to be borne by each class of real and personal property, including the fiscal effect of the available alternatives. Selectboards, town councils, and city councils with mayor's approval, vote on allocating the tax levy or adopting any other options under property tax classification at this hearing or at a later meeting. They must then adopt a residential factor.

The Residential Factor

The residential factor governs how much the residential and open space classes' (R/O) property tax burden may decrease and consequently how much the commercial, industrial and personal property classes' (CIP) property tax burden may increase. There are limits prescribed by law, however. A minimum residential factor (MRF), calculated through DLS Gateway, represents the maximum shift allowed in the tax levy for the fiscal year and establishes the parameters for local decision-making. By adopting a residential factor either at or above the MRF, the tax levies for each class of real property and for personal property will fall within the limits. Adopting a residential factor of "1", for example, (also called 100%), results in taxation of all property at the same rate; adopting a factor less than "1" to as low as the MRF results in an increasingly greater tax burden shift from the R/O classes to the CIP classes.

Determining the Residential Factor

For the practitioner, calculating a residential factor within legal limits is best accomplished by using DLS Gateway. Completing the LA-4 (Assessment/Classification form) will assist in completing other valuation related forms that will provide the user with further guidance.

The following example from Gateway provides a typical calculation. The residential factor percentages shown in

- review debt authorization and work with treasurers and financial advisors regarding municipal debt.

This is a remote position with occasional in-office collaboration using shared workspace. To learn more about this exciting public service opportunity, qualified candidates interested in this unique opportunity to serve at the forefront of municipal finance administrative policy, procedures and practices should please [click here](#).

Pre-Registration for 2021 "What's New in Municipal Law" Seminars

The Division of Local Services will offer its annual seminar "What's New in Municipal Law" for local officials on Thursday, September 23rd, 2021 at The Lantana in Randolph and Thursday, September 30th, 2021 at the Log Cabin Banquet & Meeting House in Holyoke. The agenda and registration forms will be available shortly. To pre-register for the event, please [click here](#).

Additional information will be available in the coming weeks. If you have any questions about these seminars, please contact dlsregistration@dor.state.ma.us.

Table 1 are reflective of this community's assessed values by class. Note that as the shift percentage becomes greater, the resulting tax rate for the R/O classes decreases and the tax rate for the CIP classes increases.

Table 1

	Residential Factor	R/O Share of Levy	CIP Share of Levy	R/O Tax Rate	CIP Tax Rate
100%, No Shift	100.0000	86.2377	13.7623	17.93	17.93
125%	96.0104	82.7972	17.2028	17.21	22.41
135%	94.4145	81.4209	18.5791	16.93	24.21
150%	92.0207	79.3566	20.6434	16.47	26.89
165%	89.6270	77.2922	22.7078	16.07	29.58
175%	88.0311	75.9160	24.0840	15.78	31.38

Adopting the Residential Factor

Selectboards, town councils, and city councils with the mayor's approval, must determine the percentages of the tax levy each class of real property and personal property will pay by adopting a residential factor.

Their decision may be guided by reviewing their community's results presented to them in similar form as those shown in Table 1 above, by listening to advice by their board of assessors and by listening to suggestions from other participants at the hearing.

As shown in Table 1, provided the shift percentage does not exceed any legal limit, an intended property tax burden shift from R/O to CIP shown in the first column requires a vote of the residential factor shown in the second column.

Other Options

Other options to shift the property tax burden at the public hearing are:

- a Residential Exemption of not more than 35% of the average assessed value of all class one, residential, parcels applied to residential parcels that are the principal residence of the property taxpayer. This exemption shifts the tax burden within the

Municipal Audits Webinar and Training Materials Now Available

Thank you to all who joined us on June 9th for our *Overview of Municipal Audits* webinar hosted by the Office of the Inspector General and the Division of Local Services. The [recorded webinar](#) is now available on [the DLS Municipal Finance Training & Resource Center](#). The training provides information on the different components of the audit, the benefits of having an audit completed, the best practices for procuring a local audit, and how often a community is required to have an external audit completed. DLS and OIG staff also answered other questions from attendees. The [slides](#) from the presentation are also available online.

In addition, you can review the [Municipal Audits: FAQs](#) document that provides answers to common questions regarding municipal audits, including procurement and preparing for audits.

We look forward to offering training opportunities on this and other municipal finance topics in the future! Be sure to bookmark the [Municipal Finance Training & Resource Center](#) and subscribe to our [YouTube channel](#) to stay updated on new items added.

residential class only and was adopted by 15 communities in FY2021

- a Small Commercial Exemption of not more than 10% applied to class three, commercial, parcels that are (1) occupied as of January 1 by a business with an average annual employment of no more than ten during the previous calendar year and (2) have a valuation of less than one million dollars. This exemption shifts the tax burden within the commercial class, adds to the tax burden of the industrial class and was adopted by 14 communities in FY2021
- an Open Space Discount of not less than 25% applied to the full and fair cash value of the entire open space class. This discount shifts the tax burden to the residential class and was adopted by only one community in FY2021.

Adopting any of these options will not affect the calculation of the residential factor.

Table 2 shows the number of cities and towns (including any “city known as the town of” as recognized by the Massachusetts Secretary of State) that either have or have not shifted the property tax burden for the last three fiscal years.

Table 2

	FY2019	FY2020	FY2021
No Shift - Cities	14	15	15
No Shift - Towns	227	228	226
Subtotal - No Shift Cities and Towns	241	243	241
Shift - Cities	44	43	43
Shift - Towns	66	65	65
Subtotal - Shift Cities and Towns	110	108	108
Total	351	351	349

Most cities and towns are legally allowed to shift up to 150%

**Register Now for the MA
Municipal Cybersecurity Summit**

The Massachusetts Municipal Cybersecurity Summit will be held on Thursday, October 7th, 2021 as part of Massachusetts Cybersecurity Month. This is an event created by the MassCyberCenter at the Mass Tech Collaborative for the Commonwealth’s 351 municipalities. This event will bring together cybersecurity experts from state and federal organizations and the private sector to give municipalities a better understanding of current cybersecurity issues and practical ideas for improving cybersecurity.

If you are interested municipal cybersecurity, please visit www.MassCyberCenter.org. To register for the event, [click here](#).

**Land of Low Value Post Affidavit
Process and Deeds in Lieu of
Foreclosure IGR**

The Division of Local Services (DLS) has issued and posted Informational Guideline Release (IGR) 2021-22 informing local officials of the administrative foreclosure process following the receipt of a Commissioner of Revenue’s affidavit pursuant to a

of the R/O property tax burden; several cannot shift even to that extent due to their high percentage of CIP value, while others are legally allowed to shift up to 175%. This is commonly known as the CIP shift.

For cities and towns that adopted a shift in the last three fiscal years, *Table 3* shows how many did so by percentage group. Notice that about half of all shifting communities did so greater than 150%.

Table 3

Shift %	2019		2020		2021	
	Cities	Towns	Cities	Towns	Cities	Towns
< or = 110	2	6	1	6	1	6
> 110 to 120	1	7	1	5	1	6
> 120 to 130	0	9	0	12	0	9
> 130 to 140	1	8	1	4	1	8
> 140 to 150	3	6	3	9	3	7
> 150 to 160	5	8	4	7	2	8
> 160 to 174	13	11	13	11	16	10
> 174 to 175	19	11	20	11	19	11
Total	44	66	43	65	43	65

Table 4 reveals that for all cities and towns, the statewide property tax burden for R/O and CIP over the last three fiscal years has not changed significantly. It also reveals that the median percentage shift has increased slightly over this time from 158.8% to 161.9%.

Table 4

	Percentages of Property Tax Burden					
	On a Non-Shifted Basis			On a Shifted Basis		
	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
RO	81.82	81.85	81.73	71.64	71.91	72.04
CIP	18.18	18.15	18.27	28.36	28.09	27.96
Total	100.00	100.00	100.00	100.00	100.00	100.00
	Median Shift Percent			158.8%	161.3%	161.9%

The information shown in *Table 1* for your city or town is available in DLS Gateway by entering your community’s information into the correct forms. Gateway and other DLS guidance provide the easiest way to understand how the residential factor works. For more guidance on the residential factor and its requirements, see [IGR 2021-9, Fiscal Year 2022 Guidelines for Annual Assessment and](#)

Land of Low Value tax title foreclosure application and how communities may accept title from the owners of properties on which there are municipal liens as an alternative to tax taking and foreclosure proceedings.

IGR-2021-22 – [LAND OF LOW VALUE POST AFFIDAVIT PROCESS AND DEEDS IN LIEU OF FORECLOSURE](#)

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

Tax Agreements for Affordable Housing Developers & "Brownfields" IGR

The Division of Local Services (DLS) has issued and posted Informational Guideline Release (IGR) 2021-21 informing local officials about tax collection and tax abatement agreements with developers of affordable housing, including changes made by the Municipal Modernization Act in 2016. It also includes standards and procedures for tax agreements and accepting and implementing a local option law that permits tax agreements in connection with the cleanup of contaminated sites or "Brownfields."

IGR-2021-21 – [Tax Agreements for Affordable Housing Developers & "Brownfields"](#)

[Allocation of Tax Levy](#) and [Property Tax Classification: Classifying Property for Tax Purposes](#). Also, for budget planning purposes, please see the [Budget and Tax Rate Planning Tool](#).

Data Highlight: Multiple Tax Rates – CIP Shift Donnette Benvenuto - Data Analytics and Resources Bureau

As noted in the article above, communities may vote to shift more of their tax burden onto the Commercial, Industrial and Personal Property (CIP) classes which then decreases the burden to the Residential and Open Space (R/O) classes. You can see the CIP Tax Shift data [here](#).

Other ways to shift the property tax burden would be to adopt the Residential Exemption, the Small Commercial Exemption or the Open Space Exemption. You can find the communities that have adopted these, as well as other exemptions related to property taxes [here](#).

If your community plans to or has voted to adopt any of these exemptions, we would need to be notified as soon as possible by filling out a Notification of Acceptance form found [here](#).

If you have any questions on our data or on these adoptions, please email us at databank@dor.state.ma.us.

Now Available: Webinar on Yarmouth's Streamlined Tax Rate Recap Process DLS Municipal Finance Training and Resource Center

On August 4th, local officials from Yarmouth joined DLS in hosting a webinar to walk through how their financial management team completes prepares the tax rate recap. In their presentation, the team in Yarmouth highlighted not

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

Annual End-of-Year Letters

The Division of Local Services has posted on its website the FY2021 Bureau of Accounts (BOA) Annual End-of-Year Letters for:

- [Accountant/Auditor](#)
- [Treasurer](#)
- [Collector](#)
- [Clerk](#)
- [Regional School Business Official](#)

For information related to the [COVID-19 Emergency](#) or [American Rescue Plan Act](#) funds, please visit our website.

Senior Citizen and Veteran Property Tax Work-off Abatement Program IGR

The Division of Local Services has issued and posted Informational Guideline Release (IGR) 2021-20 informing local officials about two local acceptance statutes that allow cities and towns to establish property tax work-off programs for senior citizens and veterans.

IGR-2021-20 – [SENIOR CITIZEN AND VETERAN PROPERTY TAX](#)

only the technical aspects that streamlines this process, but also how collaboration amongst the financial management team leads to success.

The town is routinely amongst the first communities to submit its tax rate recap to DLS for review each year. The [recorded version](#) of the webinar is now available online. In addition, the slides from their presentation are available for reference [here](#). You can also find [DLS' Budget and Tax Rate Planning Tool](#), which the team Yarmouth uses as part of their automated process, on our website, along with other helpful [tools and templates](#).

As a reminder, the Bureau of Accounts (BOA) recommends that cities and towns begin completing the tax recap forms as soon as the legislative body has voted its budget for the year and update these forms each time the legislative body meets to make appropriations, until the tax rate is set. This will eliminate the rush to complete forms at submission. Additionally, in those cases where values are approved in the late summer or early fall, we ask that steps are taken locally to set the tax rate as soon as values are certified, a classification hearing is held, and all legislative body appropriations from the tax levy have been made. Doing so helps expedite the setting of tax rates for all cities, towns and districts in the Commonwealth.

Be sure to bookmark the [Municipal Finance Training and Resource Center](#) page and subscribe to our [YouTube channel](#) to stay updated on new items added. As we mentioned during the webinar, we welcome any feedback you have about our training and other resources. Please let us know if there is a topic you would like to see covered by emailing DARB@dor.state.ma.us.

MassDOT Releases Chapter 90 Program Guidance Document

Jonathan L. Gulliver - MassDOT Highway Administrator

[WORK-OFF ABATEMENT PROGRAMS](#)

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

Accelerating Clean Transportation for All

Please view the following announcement from the Massachusetts Clean Energy Center regarding funding opportunities for Accelerating Clean Transportation for All. Please [click here](#).

Procedures to Request Permission to Make Payments for Liabilities Incurred in Excess of Appropriation in the Event of Certain Emergencies Under G.L. c. 44 § 31

The Division of Local Services (DLS) Bureau of Accounts (BOA) has issued and posted Bulletin (BUL) 2021-8. This Bulletin outlines a new procedure to request emergency spending permission under G.L. c. 44 § 31 in the DLS Gateway system.

[BUL-2021-8](#): Procedures to Request Permission to Make Payments for Liabilities Incurred in Excess of Appropriation in the Event of Certain Emergencies Under G.L. c. 44 § 31

For decades, the Chapter 90 Program has served as an integral funding source for municipalities as they invest in their local transportation network. From equipment, to construction, to consultant services, Chapter 90 is a key method through which local transportation improvements are made. Given the importance of this program, I'm pleased to announce that this month, MassDOT released its new *Chapter 90 Program Guidance Document*.

The goal of this new guide is to provide enhanced support to Massachusetts communities as they navigate the Chapter 90 Program and work to use their funding strategically. The guidance provides both new and clarified information on the history of Chapter 90, program operation, and eligible expenses. It also details instructions for project implementation from submitting Project Requests, understanding procurement and prequalification considerations, to requesting reimbursement. In addition, the new guidance includes helpful methods and tools that communities may utilize when planning their transportation investments. Taken together, the guidance seeks to be a one-stop-shop for all things Chapter 90.

The *Chapter 90 Program Guidance Document* is now available for download online at the [Chapter 90 Program webpage](#) or in print at MassDOT offices. To receive a printed copy, contact your District State Aid Engineer. I encourage our municipal partners to take advantage of this new resource and we look forward to continuing to seek opportunities to enhance our support to local governments and transportation.

Reminder: Community Preservation Forms Due Sept. 15th Data Analytics and Resources Bureau

The CP1 and CP3 forms are due by September 15th. This information is necessary to calculate the FY22 CPA State Matching Grants.

Assessment IGRs

The Division of Local Services (DLS) has issued and posted Informational Guideline Releases (IGR) 2021-18 and 2021-19 informing local officials that assessors no longer are required to obtain prior written approval from the Commissioner of Revenue to assess taxes on commonland in cluster developments or planned unit developments to owners of individual lots in the development and about the requirements for local assessors to assess partially completed construction improvements in common areas of phased unit condominium developments.”

IGR-2021-18: [ASSESSMENT OF CLUSTER DEVELOPMENT COMMONLAND](#)

IGR-2021-19: [ASSESSMENT OF PRESENT INTERESTS IN PARTIALLY-COMPLETED CONDOMINIUM CONSTRUCTION](#)

2022 State Revolving Fund Project Solicitation Offering Loan Forgiveness for Lead in Drinking Water, Zero Interest Loans for PFAS and Expanded Financing Offerings

The Massachusetts Clean Water Trust (the Trust), in collaboration with Massachusetts Department of

The CP1 is completed in [Gateway](#), and it needs to be signed by the Board of Assessors and signed and submitted by the accounting officer. The CP3 is completed in the CPC Inventory Database found [here](#).

Any password questions for the CP3 can be sent to databank@dor.state.ma.us. Questions on how to fill out the CP3 can be sent to chase.mack@communitypreservation.org.

Environmental Protection (MassDEP), administers the Commonwealth's State Revolving Fund (SRF) programs that help communities build or replace water infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities.

MassDEP has launched its annual SRF project solicitation. Between July 1 and August 20, MassDEP will accept applications for the CY 2022 round of SRF financing. For 2022, the SRF program has detailed a number of program expansions and incentives beyond the standard 2% interest rate subsidized loans, including:

- Loan forgiveness for projects [addressing lead in drinking water](#)
- Incentivized [Lead Service Line Replacement program](#)
- Zero interest loans for projects addressing [Per- and polyfluoroalkyl substances \(PFAS\)](#) in drinking water
- Asset Management Planning (AMP) grants expanded eligibility to include [cybersecurity risk](#)

[assessments](#)

- [Housing Choice loan program](#)
- Zero interest loan for clean water projects [removing nitrogen from wastewater](#)
- Fixed percentage loan forgiveness for [disadvantaged communities](#)

The Trust administers two SRF programs, the Clean Water and Drinking Water SRFs. These programs provide subsidized loans to cities, towns, and water utilities. Since its establishment in 1989, the SRFs have financed approximately \$7.9 billion of water infrastructure projects serving an estimate 97% of the residents of the Commonwealth.

For questions about the 2022 SRF solicitation or program please feel free to contact Robin McNamara (Robin.McNamara@mass.gov), or visit [MassDEP's webpage](#).

Special Injury Leave Indemnity Fund IGR

The Division of Local Services (DLS) has issued and posted Informational Guideline Release (IGR) 2021-16 informing local

officials about a local option provision allowing the establishment of a Special Injury Leave Indemnity Fund for the payment of injury leave compensation and medical bills of police officers and firefighters injured on duty.”

[IGR-2021-16: Special Injury Leave Indemnity Fund](#)

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

Owners Unknown IGR

The Division of Local Services (DLS) has issued and posted Informational Guideline Release (IGR) 2021-15 informing local officials about assessing property to an owner unknown.

[IGR-2021-15 – Owners Unknown Assessments](#)

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

Cybersecurity and IT Health Check Programs

The Office of Municipal and School Technology has announced the following programs available to Massachusetts municipalities and schools. If you have any questions, please contact

Catherine.Marques@mass.gov

[Cybersecurity Health Check](#)

The Cybersecurity Health Check Program provides opportunities for local government to access basic cyber security services at no cost.

These services can be a good first step in discovering, assessing and identifying cybersecurity gaps that could impact IT systems that support essential business functions. This is a rolling application.

[IT Health Check](#)

An IT Health Check is a high-level assessment of current IT assets. A Health Check can be a good first step in discovering, assessing and identifying gaps that could impact IT systems that support essential business functions.

The discovery will results in a completed score card that will identify the current state of critical IT systems, and platform and vendor agnostic suggestions. This is a rolling application.

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](#)



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