



Fiscal Year 2024 Tax Rate Classification Hearing

Town of Brewster

September 11, 2023

FY 2024 Maximum Allowable Levy

Description	Amount
Adjusted FY 2023 Levy Limit	\$36,999,768
2.5% Increase	\$924,994
Fiscal 2024 New Growth	\$350,160
Fiscal 2024 Override (Schools)	\$964,598
Fiscal 2024 Debt Exclusions	\$5,450,789*
Fiscal 2024 Cape Cod Commission assessment	<u>\$183,182</u>
Fiscal 2024 Maximum Allowable Levy	\$44,873,491 (increase of \$3,936,164 over FY23 Max Levy)
Fiscal 2024 Excess Levy Capacity (as of 9/8/2023)	\$451,224 (\$370,000 is due to reporting format of authorized CCSC Long Pond Debt)

*\$2,083,175 of the FY2024 Debt Exclusion was due to phase one of the Nauset High School building project. A similar increase will come in FY2025 for the second phase.

FY 2024 Assessed Values

Class	FY23 Value	FY24 Value	Change	%
Residential	\$5,510,063,426	\$6,198,953,108	\$688,889,682	12.5%
Commercial	\$160,902,004	\$180,678,022	\$19,776,018	12.3%
Industrial	\$22,136,100	\$23,500,500	\$1,364,400	6.2%
Personal Property	<u>\$114,159,630</u>	<u>\$119,961,850</u>	<u>\$5,802,220</u>	5.1%
Total	\$5,807,261,160	\$6,523,093,480	\$715,832,320	12.3%

The town realized an increase in overall property value of 12.3% in Fiscal Year 2024 as a result of a strong real estate market and new property growth.

The FY2024 residential property values are based on calendar year 2022 sales data and will not necessarily reflect today's market value.

FY 2024 Estimated Tax Rate

Single Tax Rate Illustration.

Note: levy is rounded to nearest whole dollar

Tax rate is dollars per \$1,000

Class	Valuation	Levy %	Rate	Levy
Residential	\$6,198,953,108	95.0309	\$6.81	\$42,214,871
Commercial	\$180,678,022	2.7698	\$6.81	\$1,230,417
Industrial	\$23,500,500	0.3603	\$6.81	\$160,038
Personal Property	\$119,961,850	1.8390	\$6.81	\$816,940
Total	\$6,523,093,480	100	\$6.81	\$44,422,267

Single Tax Rate for Fiscal 2023 was \$6.99

Decrease of \$0.18 for FY2024 (-2.6%)

Tax shifting options will decide how the \$44+ Million will be allocated between and within property classes. The options to be discussed will not change the maximum allowable levy.

FY2024 Tax Rate Impact on Median Single Family Home Tax Bill

FY2022

- ▶ Median Single Family Home Value: \$532,000
- ▶ Tax Rate: \$7.85
- ▶ Median Single Family Tax Bill: \$4,176.20

FY2023

- ▶ Median Single Family Home Value: \$636,700
 - ▶ Increase of 19.7%
- ▶ Tax Rate: \$6.99
 - ▶ Decrease of 11%
- ▶ Median Single Family Tax Bill: \$4,450.53
 - ▶ Increase of 6.6%
 - ▶ Increase of \$274.33

FY2024

- ▶ Median Single Family Home Value: \$710,900
 - ▶ Increase of 11.7%
- ▶ Estimated Tax Rate: \$6.81
 - ▶ Decrease of 2.6%
- ▶ Estimated Median Single Family Tax Bill: \$4,841.23
 - ▶ Increase of 8.8%
 - ▶ Increase of \$390.70



Tax Levy Shifting Options

The tax rate can be impacted by decisions regarding classification and exemption options.

- 1. The “**Split Tax Rate**” allows for a shift of the tax burden from the residential class of property to the commercial, industrial and personal property classes (CIP).
- 2. The “**Open Space Discount**” may reduce the amount of the tax levy paid by the open space class to no less than 75% of its full and fair cash share of the levy.
- 3. The “**Residential Exemption**” allows for the shift of a portion of the residential tax burden from primary residences to second home owners and primary residences with higher property values.
- 4. The “**Small Commercial Exemption**” creates a shift that reduces taxes paid by owners of properties occupied by small businesses and shifts them to larger commercial and industrial taxpayers.

Option 1: The “Split Tax Rate”

Estimated tax rates at selected percentage shifts, shown in 10% intervals

Examples illustrated assumes no residential exemption adopted

Board of Assessors recommends factor of “1”, no shift

CIP Shift	Residential Tax Rate	CIP Tax Rate	Tax Levy Shifted
0.7	\$6.92	\$4.77	\$662,219
0.8	\$6.88	\$5.45	\$441,479
0.9	\$6.85	\$6.13	\$220,740
1.0	\$6.81	\$6.81	\$0
1.1	\$6.77	\$7.49	\$220,740
1.2	\$6.74	\$8.17	\$441,479
1.3	\$6.70	\$8.85	\$662,219
1.4	\$6.67	\$9.53	\$882,958
1.5	\$6.63	\$10.21	\$1,103,698

Option 1: The "Split Tax Rate"

Shift less than 1 results in residential taxes subsidizing business taxes

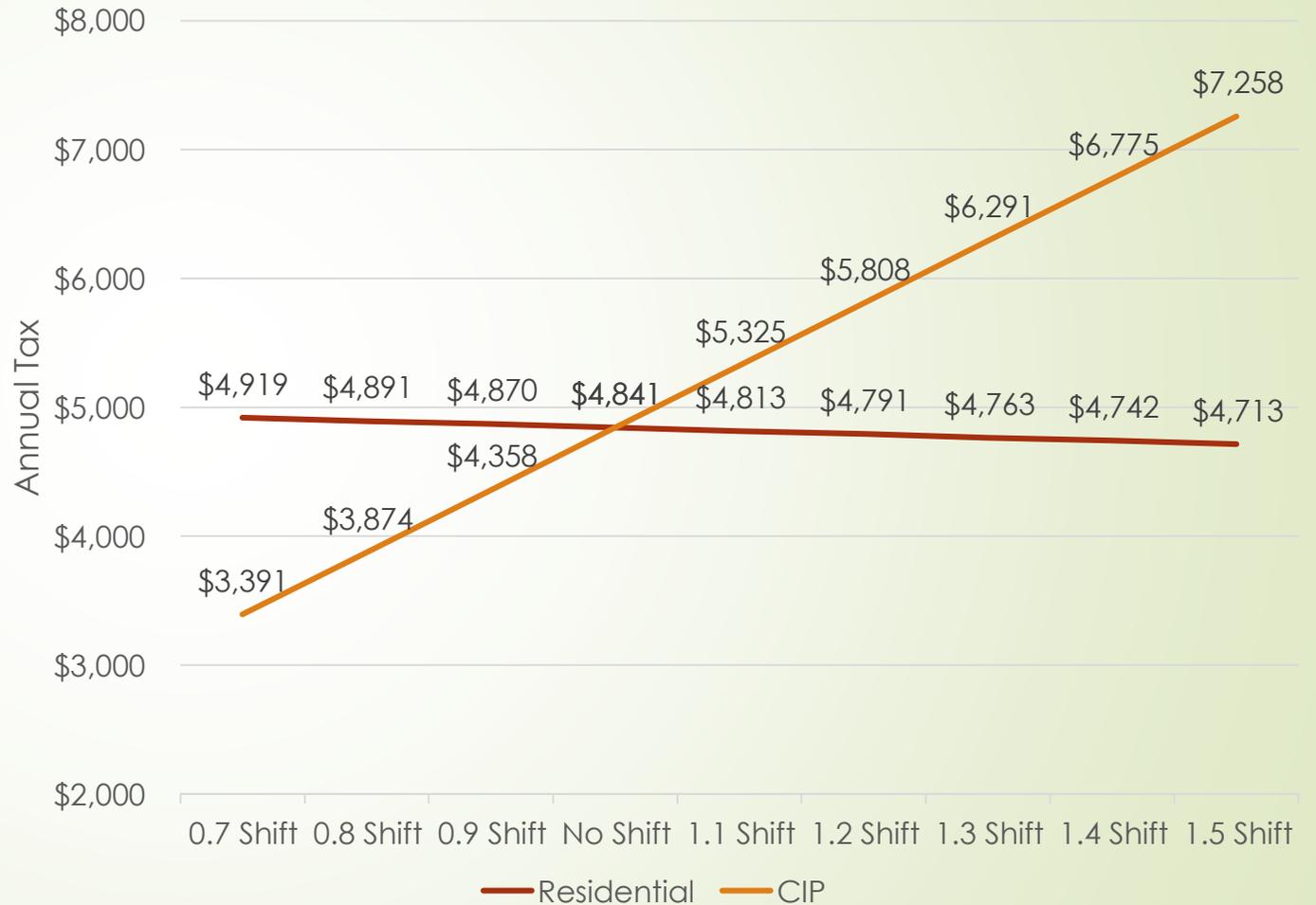
Shift greater than 1 results in business taxes subsidizing residential taxes

Tax Levy remains the same

Maximum residential savings of \$128 results in \$2,417 increase to an equally valued commercial parcel

Board of Assessors
Recommendation: Residential Factor of "1" or "No Shift"

Residential Tax Bills vs. CIP Tax Bills FY2024 Median Single Family Property Value of \$710,900





Option 2: The “Open Space Discount”

Board of Assessors Recommendation:
Do not adopt an Open Space
Discount

- ▶ The Select Board may allow for a discount for all Open Space properties. The discount may reduce the amount of the tax levy paid by the Open Space class to no less than 75% of its full and fair cash share of the levy (a 25% discount).
- ▶ The taxes saved by the Open Space class are shifted to the other properties in the residential class, which means a higher residential tax rate.
- ▶ In Brewster, the assessors do not currently assess Open Space properties in the Open Space class, so this discount is not currently available. Open Space parcels are generally assessed in the Residential Class or are Tax Exempt.
- ▶ In FY2023 only 1 of the 351 Massachusetts cities and towns adopted an Open Space Discount (Bedford).

Option 3: The “Residential Exemption”

Community	Percentage
Barnstable	20
Mashpee	5
Provincetown	25
Truro	25
Wellfleet	25

This option reduces the taxable assessed value for each qualified primary residence. For FY2024 Brewster has an estimated 3,877 potentially eligible properties out of 7,421 improved residential properties (roughly 52%) and the result of adoption would be a higher tax rate for all residential properties and a deduction from every qualified property's value before the tax is calculated at the higher tax rate.

- ▶ Select Board can authorize up to a 35% exemption to qualifying Brewster “residents”
- ▶ The exemption applied is up to 35% of the total **average** residential parcel value
- ▶ The property must be the “primary residence” of the owner as used for income tax purposes
- ▶ This option shifts the taxes only **within** the residential class of taxpayers & does not change the levy amount itself or impact CIP property owners
- ▶ 18 communities out of 351 adopted the residential exemption in FY2023;
- ▶ 5 Communities in Barnstable County adopted the exemption in FY2023

Total Residential Value		\$6,198,953,108		
Divided by Total Residential Parcels		8,014		
Average Residential Value (ARV)		\$773,515		
ARV	\$773,515	\$773,515	\$773,515	\$773,515
Exemption %	0%	10%	20%	35%
Exemption Value	\$0	\$77,352	\$154,703	\$270,730
Eligible Parcels*	0	3,877	3,877	3,877
Residential Value Exempted	\$0	\$299,891,954	\$599,783,908	\$1,049,621,839
Net Value Taxed	\$6,198,953,108	\$5,899,061,154	\$5,599,169,200	\$5,149,331,269
Residential Levy	\$42,214,871	\$42,214,871	\$42,214,871	\$42,214,871
Tax Rate	\$6.81	\$7.16	\$7.54	\$8.20

Residential Exemption Calculation

The exemption may not exceed 35 percent of the average assessed value of all residential properties.

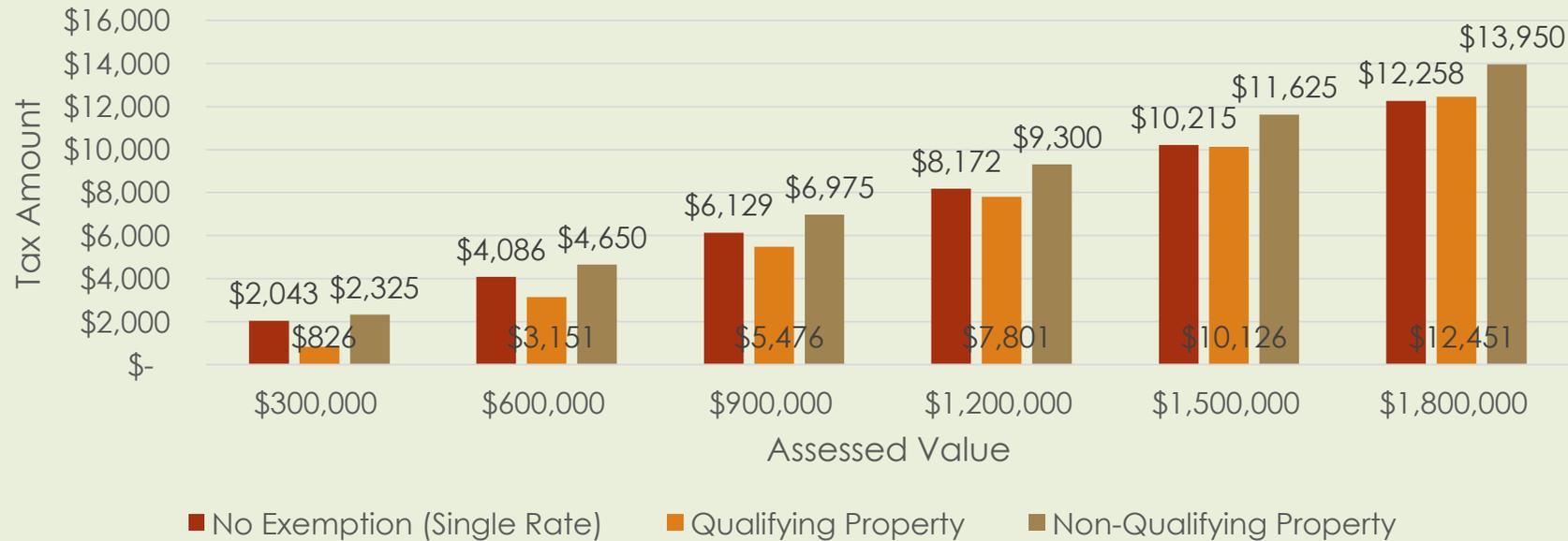
To calculate the exemption the average assessed value of all residential parcels must first be determined.

The adopted percentage is applied to this amount. The assessed valuation of each residential parcel that is the domicile of the tax payer is then reduced by that amount.

As the residential exemption removes a portion of the property value subject to taxation it results in a higher tax rate.

*Estimate

Tax Bill Comparison – No Exemption vs. 25% Residential Exemption Qualifying and Non-Qualifying Properties



Residential Exemption Example

“Break Even Point”
= \$ 1,598,905 Assessed Value

Residents with Assessed Value above “Break Even Point” pay more taxes as a result of Residential Exemption

Board of Assessors Recommendation: No Residential Exemption

*Not including vacant land

Residential* parcel count	<\$300K	\$300K-\$600K	\$600k-\$900K	\$900K-\$1.2M	\$1.2M-\$1.5M	>\$1.5M
FY24	186	2,718	2,440	1,042	494	541
FY23	294	3,468	2,063	889	322	378
FY22	995	3,810	1,631	541	180	235
FY21	1,345	4,117	1,271	366	107	171
FY20	1,466	4,060	1,225	357	97	164

Why did other local communities adopt the Residential Exemption?

Town (FY23 data)	Average Residential* Value	Eligible Parcels	Total Residential* Parcels	Eligible Parcel Percent	Breakeven Point
Barnstable	\$758,078	11,631	25,699	45.3%	\$1,674,994
Mashpee	\$665,356	2,106	11,055	19.1%	\$3,492,643
Provincetown	\$905,136	799	4,274	18.7%	\$4,841,740
Truro	\$873,179	641	3,346	19.2%	\$4,557,967
Wellfleet	\$794,041	773	4,248	18.2%	\$4,363,628
Brewster	\$686,356	3,877**	8,028	48.3%	\$1,421,218

*Residential Values and Parcel Counts above include Vacant Land

**Brewster Eligible Parcels is an estimate because we have not adopted and have not vetted applications



Option 3: “Residential Exemption” Recommendation

The Board of Assessors Recommends
not adopting a Residential Exemption

- Approximately 52% of Residential Class with improved properties are ‘Residents’; 48% are ‘Non-Residents’ (3,877 vs 3,544)
- Applications are required for eligibility, including address verification using Income Tax Returns; burden of proof is on taxpayer
- Additional personnel resources required to review applications and administer Residential Exemptions
- Increased Tax Rate but Tax Levy remains the same, no additional revenue
- ‘Non-Residents’ already pay an additional Personal Property Tax (1% of building value)
- Additional Overlay required



Option 4: The “Small Commercial Exemption”

Board of Assessors Recommendation:
Do not adopt Small Commercial
Exemption

- ▶ The Select Board may grant a small commercial exemption to all Commercial properties that are occupied by businesses with an average annual employment of no more than 10 people and an assessed valuation of less than \$1,000,000 (\$1 Million).
- ▶ Adopting a small commercial exemption increases the commercial and industrial tax rates.
- ▶ This higher rate creates a shift that reduces the taxes paid by owners of properties occupied by small businesses and shifts them to larger commercial and industrial taxpayers.

Option 4: The “Small Commercial Exemption”

Board of Assessors
 Recommendation: Do not adopt a Small Commercial Exemption

- 201 Commercial/Industrial parcels
- 249 Small Business with under 10 employees
- 31 Potentially eligible small business parcels (13% of small businesses)
- Exemption only applies to Commercial Properties not home business or mixed use
- Tax savings goes to owner of property, not to business if leasing the property
- 10% Small Commercial Exemption would raise the Commercial & Industrial Tax Rate to \$6.86 (from \$6.81 single rate).
- The 31 eligible parcels would receive a 10% reduction of assessed value or approx. \$276 in median tax savings
- The other 170 Commercial/Industrial parcels would pay a higher tax rate
- No benefit for 87% of small businesses

Only 14 cities/towns adopted Small Commercial Exemption in FY2023

Auburn	Avon	Bellingham	Berlin	Braintree
Chelmsford	Dartmouth	Erving	New Ashford	North Attleborough
Seekonk	Swampscott	Westford	Wrentham	



Summary

Board of Assessors
recommendations to
Select Board:

- Option 1: “Split Tax Rate”- The Board of Assessors recommends a **Single Tax Rate** or Residential Factor of “1”. No Split Tax Rate
- Option 2: “Open Space Discount”- The Board of Assessors recommends **not** adopting an Open Space Discount. Not applicable in Brewster
- Option 3: “Residential Exemption”- The Board of Assessors recommends **not** adopting a Residential Exemption
- Option 4: “Small Commercial Exemption”- The Board of Assessors recommends **not** adopting a Small Commercial Exemption



Proposed Motion:

The following motion would maintain the existing and historic pattern of taxation in the Town of Brewster using a Single Tax Rate for all classes of property.

- Move to continue to use a Residential Factor of “1”; not to grant an Open Space Discount; not to grant a Residential Exemption; not to grant a Small Business Exemption.