



Fiscal Year 2023

# Tax Classification Hearing

December 13, 2022

## Aquinnah Board of Assessors

Harald M. Scheid, Principal Assessor/Member

Kayla Manning, Member

David Golden, Associate Regional Assessor

## **Introduction**

Each year, prior to the mailing of 3<sup>rd</sup> quarter tax billings, the Select Board hold a public hearing to determine the percentage of the town's property tax levy to be borne by each major property class. This responsibility and procedure are described in Chapter 40, Section 56 of the Massachusetts General Laws.

The steps in completing the Classification Hearing are outlined below. Also provided is information about the levy, property assessments, and tax rate options.

## **Steps in Setting Tax Rates**

### **Pre-classification Hearing Steps**

- Step 1: Determination of the property tax levy (Budget Process)
- Step 2: Determine assessed valuations (Assessors)
- Step 3: Tabulate assessed valuations by class (Assessors)
- Step 4: Obtain DOR value certification (Assessors)
- Step 5: Obtain certification of new growth revenues (Assessors)

### **Classification Hearing Steps**

- Step 6: Classification hearing presentation (Assessors & Select Board)
- Step 7: Review and discuss tax shift options (Select Board)
- Step 8: Voting a tax shift factor (Select Board)

### **Post Classification Hearing Steps**

- Step 9: Sign the LA-5 Classification Form (Assessors & Select Board)
- Step 10: Send annual recap to DOR for tax rate approval (Assessors)
- Step 11: Obtain DOR approval of tax rates (DOR)

## Terminology

The following are definitions of the terms frequently used in the discussion of tax rates.

Levy: The tax levy (or levy) is the amount of property taxes to be raised. The levy amount is determined by the budget. The total amount of the approved budget less revenues from other sources like motor vehicle excise, municipal fees, and state aid is the amount to be raised from property taxation. **The town will be raising \$5,734,783 in property tax revenues. This amount compares to \$5,380,974 or a 6.6% increase.**

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the town. Based on Aquinnah's aggregate valuation of \$940,128,288, the town cannot levy taxes in excess of \$23,503,207.

New Growth Revenue: This represents property taxes derived from newly taxable properties or property improvements like new construction, additions, and personal property. Fiscal year 2023 new growth revenues of \$30,199, have been certified by the Department of Revenue.

Levy Limit: Also referred to as the "Maximum Allowable Levy", is calculated by adding 2.5 percent of the previous year's levy limit, certified new growth revenue, and any Proposition 2 ½ voted revenues to be collected to the prior year's levy limit. **The maximum allowable levy for fiscal year 2023 is certified at \$5,740,978.**

Excess Levy Capacity: Excess levy capacity is the difference between the levy and the levy limit.

## The Fiscal Year 2023 Levy Limit and Amount to be Raised

The following is a calculation of Aquinnah's estimated levy for fiscal year 2023.

Fiscal year 2022 levy limit	\$5,289,017
Levy increase allowed under Prop. 2 ½	132,225
New growth revenue (certified)	30,199
Debt exclusions	81,845
Refuse District excludable debt	7,692
Fiscal year 2022 levy limit (maximum allowable)	5,740,978
<b>Levy to be raised (rounded by tax rate)</b>	<b>\$5,734,783</b>

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	922,507,225	98.1257	98.1257
Commercial	9,525,628	1.0132	
Industrial	234,400	0.0249	1.8743
Personal Property	7,861,035	0.8362	
TOTAL	940,128,288	100.0000	

## Shifting the Tax Burden

Municipalities with a large commercial/industrial tax base often see fit to shift the tax burden to help maintain lower residential taxes. Aquinnah having a very small commercial tax base is not well positioned to shift its tax burden. It would take an approximate 51 percent increase in the commercial tax rate to yield a one-percent reduction in residential taxes.

## Tax Rates

Based on the above shift factors, the Board of Assessors has calculated the following tax rate needed to raise the tax levy.

<u>Property Class</u>	<u>FY2023</u>	<u>FY2022</u>
All Classes	6.10	6.27

Note that the fiscal year 2023 rate is an estimate and may change upon Department of Revenue review.

## Tax Impacts

Property sales in the year preceding FY2023 indicate that properties have appreciation more than 10 percent. This required that assessed valuations be increased accordingly. Most property owners will see higher assessed valuations. Increased assessments will be partially offset by a lower tax rate.

The average residential tax bill calculation will change as follows:

FY2022 Average Single-family Valuation:	\$1,589,400
Taxes at \$6.27 per thousand	\$9,966
FY2023 Average Single-family Valuation:	\$1,787,000
Taxes at \$6.10 per thousand	\$10,901
Average Tax Increase	\$935
Percentage Tax Increase	9.4%

## Voting a Tax Shift Factor

The Aquinnah Board of Select Board votes in accordance with M.G.L., Ch. 40, Sec. 56, as amended, the percentage of local tax levy which will be borne by each class of real and personal property, relative to setting the Fiscal Year 2023 tax rates and set the Residential Factor at 1.0000, with a corresponding CIP shift of 1.0000, pending certification of the Town's annual tax recap by the Massachusetts Department of Revenue.

## Single-family Tax Bills & Rank

### Comparisons with Other Vineyard Towns

\*based on fiscal year 2022 figures

Town	SingFam Homes	Average Home Value	Annual Tax Bill	Income Per Capita
Aquinnah	400	1,589,400	9,966	29,446
Chilmark	1,097	2,175,505	6,135	69,931
Edgartown	3,518	1,833,200	5,555	68,652
Oak Bluffs	3,412	924,671	6,279	26,047
Tisbury	2,129	1,051,765	9,150	21,660
West Tisbury	1,469	1,232,230	7,172	67,702

\*\*Lower tax rate than 33.3% of MV towns

\*\*\*Lower tax rate than 96.4% of Commonwealth towns