



Fiscal Year 2022

# Tax Classification Hearing

November 30, 2021

## Aquinnah Board of Assessors

Harald M. Scheid, Principal Assessor/Member

Howard Goldstein , 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 holds 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.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the town. Based on Aquinnah's aggregate valuation of \$858,209,598, the town cannot levy taxes in excess of \$21,455,240.

New Growth Revenue: This represents property taxes derived from newly taxable properties or property improvements like new construction, additions, and personal property. Fiscal year 2022 new growth revenues of \$6,419, 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 2022 is certified at \$5,390,115.**

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

## The Fiscal Year 2022 Levy Limit and Amount to be Raised

The following is a calculation of Aquinnah's estimated levy for fiscal year 2022.

Fiscal year 2021 levy limit	\$5,153,754
Levy increase allowed under Prop. 2 ½	128,844
New growth revenue (certified)	6,419
Debt exclusions	93,472
Refuse District excludable debt	7,626
Fiscal year 2022 levy limit (maximum allowable)	5,390,115
<b>Levy to be raised (rounded by tax rate)</b>	<b>\$5,380,974</b>
Excess levy capacity	9,141

## Valuations by Class Before Tax Shift

<u>Major Property Class</u>	<u>Valuation</u>	<u>Percent</u>	<u>Res vs CIP%</u>
Residential	838,073,038	97.6537	97.6537
Commercial	10,089,428	1.1756	
Industrial	100,000	0.0116	2.3463
Personal Property	9,947,132	1.1591	
TOTAL	858,209,598	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 41 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>FY2022</u>	<u>FY2021</u>
All Classes	6.27	6.39

Note that the fiscal year 2022 rate is an estimate and may change upon Department of Revenue review.

## Tax Impacts

Property sales in the year preceding FY2022 indicate that properties have appreciation approximate 9-10 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. It should be noted that the Town will be tapping into last year's excess levy capacity to fund this year's budget. This will result in a significant tax increase.

The average residential tax bill calculation will change as follows:

FY2021 Average Single-family Valuation:	\$1,432,200
Taxes at \$6.39 per thousand	\$9,152
FY2022 Average Single-family Valuation:	\$1,585,000
Taxes at \$6.27 per thousand	\$9,938
Average Tax Increase	\$786
Percentage Tax Increase	8.6%

## Voting a Tax Shift Factor

The Aquinnah 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 2020 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 2021 figures

Town	SingFam Homes	Average Home Value	Annual Tax Bill	Income Per Capita	Rank
Aquinnah	401	1,432,242	9,152	22,147	41
Chilmark	1,092	2,035,887	5,924	69,844	135
Edgartown	3,508	1,690,893	5,546	58,536	162
Oak Bluffs	3,408	805,881	5,939	26,013	134
Tisbury	-	-	-	-	-
West Tisbury	1,478	1,111,397	6,780	41,000	94

\*No figures published for Tisbury on DLS Databank