



Tax Classification

Fiscal Year 2023 – DOR CERTIFICATION

Board of Assessors:
David Delaney, Chair
Nancy Lyons,
Melsi Xhengo

The Focus of the Classification Hearing

- The Select Board must hold a hearing each year to consider the tax rate options available to the Town under property tax classification.
- The Board of Assessors will make a recommendation to the Select Board whether to establish different rates among the major property classes [Residential, Commercial, Industrial and Personal Property (CIP)].

Setting the “Values”

- Massachusetts statute requires all properties to be assessed at full and fair cash value as of January 1st each year.
- **Full property revaluation also known as certification is completed every 5 years.**
- ***FY 23 Is our certification year.***
- Interim year adjustments are based on the market sales analysis during non-certification years.

Setting the “Values”

- The Department of Revenue ***annually*** reviews and approves the adjusted values proposed by the Assessing Department.
- The assessed **residential value** is based on the **2021 comparable sales market analysis**.
- The assessed **commercial value** is based on both **income and expense as well as the 2021 comparable sales analysis and cost analysis**.

FY2023 Tax Levy

- Total Amount to be raised = **\$77,957,660**
(Voted at Town Meeting / Total Town Budget)
- Total Estimated Receipts = **\$27,186,403**
(Motor vehicle excise, Fees, Licenses, Permits, etc.)
- **Estimated Tax Levy** = **\$50,771,257**
(Amount needed to be raised through Property Taxes)

FY 23 VALUATION BY CLASS

SINGLE TAX RATE CALCULATION

Valuation
by class

	LA4 VALUES		FFCV PERCENTS
Residential	3,181,035,190	Residential	84.6267
Open Space	0	Open Space	0.0000
Commercial	408,046,361	Commercial	10.8555
Industrial	99,711,031	Industrial	2.6526
Pers Prop	70,110,740	Pers Prop	1.8652
Total	3,758,903,322	Total %	100.0000
			INPUT OPTIONS
Estimated Levy	50,771,257	Resid Factor Selected	0.000000
		Com/Ind/PP Shift	0.000000
		Single Tax Rate	13.51
	SHIFT PERCENTS		TAX RATES

$$\text{Levy} / \text{Total Value} = \text{Single Tax Rate}$$

Tax Rate Shift Options FY 2023 Range 1.03-1.05 highlighted

Note: This table should be used for planning purposes only. Actual calculations may differ slightly due to rounding. For actual calculations, complete Recap.

CIP Shift	Res Factor	Res ET	Comm ET	Ind ET	PP ET
1	1	13.51	13.51	13.51	13.51
1.01	0.9982	13.48	13.64	13.64	13.64
1.02	0.9964	13.46	13.78	13.78	13.78
1.03	0.9946	13.43	13.91	13.91	13.91
1.04	0.9927	13.41	14.05	14.05	14.05
1.05	0.9909	13.38	14.18	14.18	14.18
1.06	0.9891	13.36	14.32	14.32	14.32
1.07	0.9873	13.34	14.45	14.45	14.45
1.08	0.9855	13.31	14.59	14.59	14.59
1.09	0.9837	13.29	14.72	14.72	14.72
1.1	0.9818	13.26	14.86	14.86	14.86
1.11	0.98	13.24	14.99	14.99	14.99
1.12	0.9782	13.21	15.13	15.13	15.13
1.13	0.9764	13.19	15.26	15.26	15.26
1.14	0.9746	13.16	15.4	15.4	15.4
1.15	0.9728	13.14	15.53	15.53	15.53
1.16	0.9709	13.11	15.67	15.67	15.67
1.17	0.9691	13.09	15.8	15.8	15.8
1.18	0.9673	13.07	15.94	15.94	15.94
1.19	0.9655	13.04	16.07	16.07	16.07
1.2	0.9637	13.02	16.21	16.21	16.21

Single tax rate

Levy shift history for the last 10 years

Avg shift **1.04 & 1.05**

Fiscal Year	Single Family Value Total	Single Family Parcels	Average Single Family Value	Tax Rate	Average Tax Bill	CIP SHIFT
2014	\$1,713,881,600	4,143	\$413,681	\$16.21	\$6,706	1.05
2015	\$1,812,480,800	4,159	\$435,797	\$16.15	\$7,038	1.05
2016	\$1,875,933,700	4,172	\$449,649	\$16.86	\$7,581	1.05
2017	\$1,975,543,800	4,176	\$473,071	\$16.52	\$7,815	1.04
2018	\$2,059,566,300	4,190	\$491,543	\$16.28	\$8,002	1.04
2019	\$2,144,735,000	4,207	\$509,801	\$16.41	\$8,381	1.05
2020	\$2,254,317,145	4,211	\$535,340	\$16.31	\$8,731	1.04
2021	\$2,290,967,337	4,213	\$543,785	\$16.42	\$8928	1.04
2022	\$2,501,434,906	4,217	\$593,178	\$15.25	\$9045	1.04
2023	\$2,864,871,441	4221	\$678,718	\$13.51	\$9169	TBD

If you split the tax rate and choose

	Res tax Rate	Avg SFH Assess	avg sfh Assess/1000	avg sfh tax bill	savings to taxpayers	Comm Tax Rate	Avg Comm Assess	Avg Comm Assess/ 1000	Avg Comm tax bill	Increase to Comm taxpayers
Single Tax Rate	\$13.51	678,718	678.718	9,169		13.51	1,485,738	1485.738	\$20,072	
1.03	13.43	678,718	678.718	9,115	\$54	13.91	1,485,738	1485.738	\$20,667	\$595
1.04	13.41	678,718	678.718	9,102	\$67	14.05	1,485,738	1485.738	\$20,875	\$803
1.05	13.38	678,718	678.718	9,081	\$88	14.18	1,485,738	1485.738	\$21,068	\$996
1.06	13.36	678,718	678.718	9,068	\$101	14.32	1,485,738	1485.738	\$21,276	\$1,204

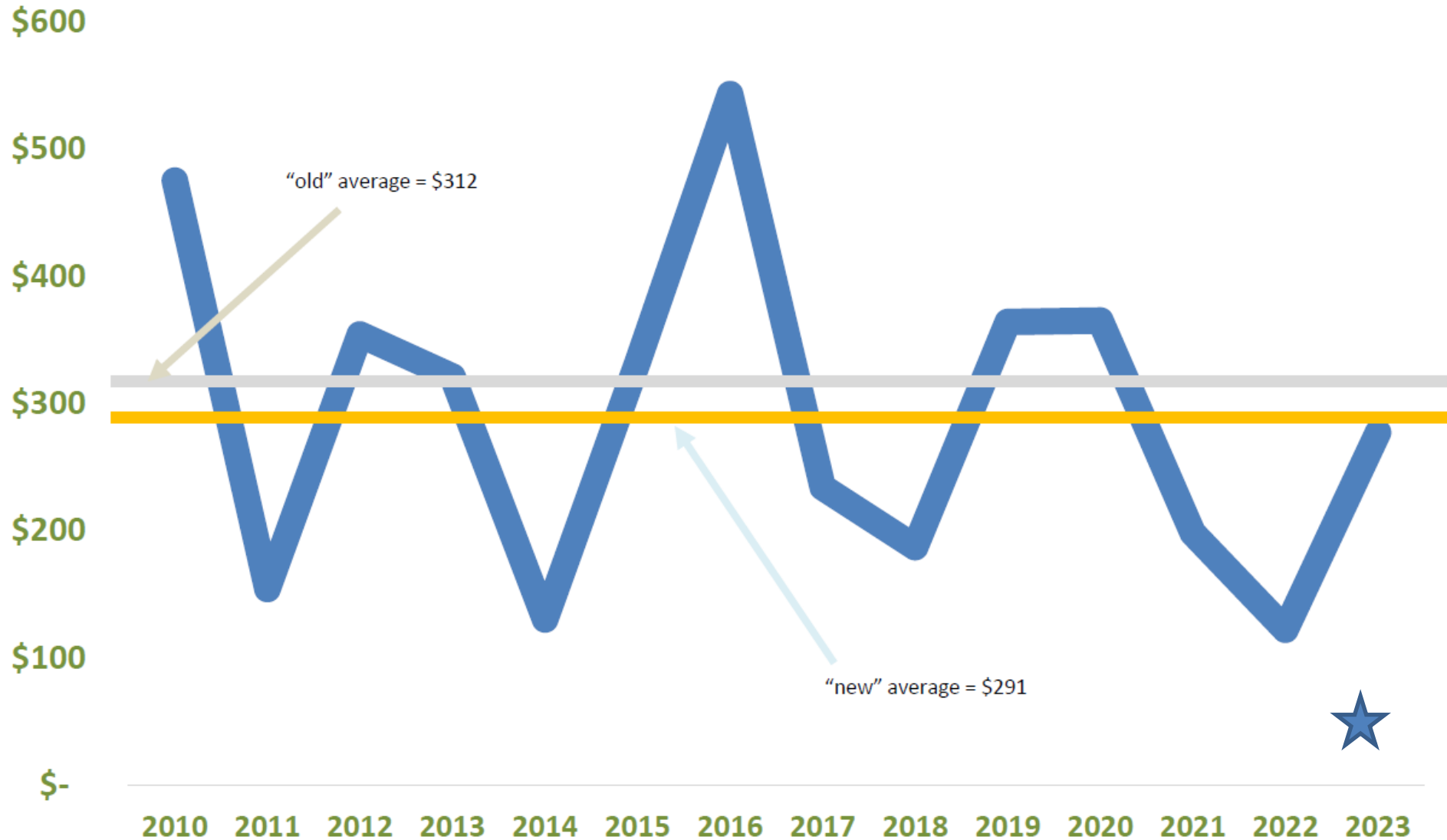
Average Increase to Resident

Fiscal Year	Average Single Family Value	Tax Rate	Average Tax Bill	CIP Shift	\$ Increase
2022	\$593,780	\$15.25	\$9,045	1.04	-
2023	\$678,718	\$13.51	\$9,169	1.00	\$124
2023	\$678,718	\$13.43	\$9,115	1.03	\$70
2023	\$678,718	\$13.41	\$9,102	1.04	\$57
2023	\$678,718	\$13.38	\$9,081	1.05	\$36
2023	\$678,718	\$13.36	\$9,068	1.06	\$23

When presenting the FY23 budget, it was estimated that the average home would see an increase of \$277 (3.1%) in taxes. The increase will be significantly less than originally estimated due to a higher amount of new growth captured than what was budgeted.

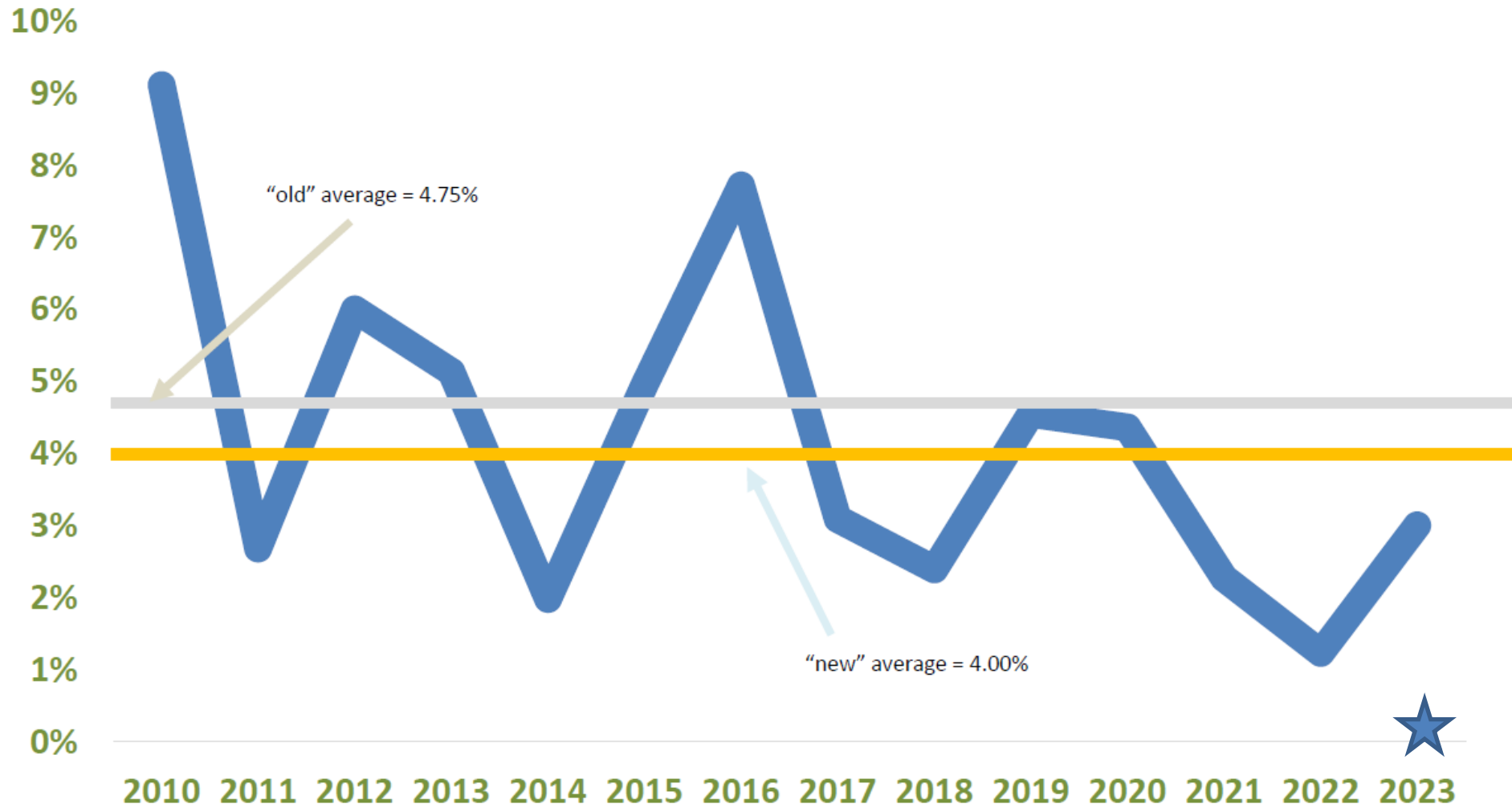


Historical & Projected Average Residential Property Tax Bill Increase (\$)





Historical & Projected Average Residential Property Tax Bill Increase (%)



OPEN SPACE – Like most communities we do not classify open space in Hanover

Massachusetts General Law Chapter 59 Section 2A(b) states that Assessors must classify all real property within their jurisdiction into four classes: Residential, Open Space, Commercial and Industrial.

- The open space discount may reduce the amount of the Tax Levy paid by the open space class by a discount of up to 25%.
- The discount lowers the open space tax rate because the amount of the Levy paid by that class is reduced. Those taxes are shifted to the residential class alone which means a higher residential tax rate.

Only 13 communities classify open space with the closest being Norfolk.

Not recommended for Hanover

SMALL COMMERCIAL EXEMPTION

Who's Eligible?

- Sole Proprietors + Partnership
- **No more than 10 employees (all locations company wide).**
- **Total value of property cannot exceed \$1,000,000 (1 million).**
- Business must be certified by Dept. of Labor & Workforce Development.
- **If parcel has multiple tenants, ALL must be eligible businesses.**

▶ Benefit

- Up to 10% of Commercial Levy can be shifted from the eligible parcels to the non-eligible parcels.

▶ Things to Consider

- If not owner occupied, **the tax benefit goes to the property owner and not the small business owner.**
- **Difficult to track**
- Depending on ownership, **the burden is sometimes shifted to other small business owners.**
- **Only 14 Communities statewide have adopted the Small Commercial Exemption**
- **Not recommended for Hanover**



RESIDENTIAL EXEMPTION

- ***Adopting the Residential Exemption can shift the tax burden within the Residential class from lower priced homes to higher priced homes.*** The total tax levy of the class remains the same.
- A Residential Exemption of up to 20% of the average assessed value of all residential properties may be granted to qualifying owner occupied properties.
- Adopting the Residential Exemption is primarily for communities with higher non owner occupied properties.
- **There are currently only a handful of communities in Massachusetts that have adopted this exemption.**

Not recommended for Hanover

At the Pre-Classification Meeting the Board of Assessors voted the following recommendations.

- A RESIDENTIAL FACTOR OF 1 BE ADOPTED FOR FY 2023 (**noshift**)
- **“NO”** ON OPEN SPACE DISCOUNT
- **“NO”** ON SMALL COMMERCIAL EXEMPTION
- **“NO”** ON RESIDENTIAL EXEMPTION

Motion by Select Board:

- A RESIDENTIAL FACTOR OF _____ BE ADOPTED FOR FY 2023 (_____)
- “NO” ON OPEN SPACE DISCOUNT
- “NO” ON SMALL COMMERCIAL EXEMPTION
- “NO” ON RESIDENTIAL EXEMPTION

- **Selectboard to make a motion to continue the hearing until such time that we are notified by Department of Revenue that we are certified. *Once Notified by DOR we can then close the hearing.***