



Fiscal Year 2022
Tax Classification Hearing

December 7, 2021

Harvard Town Assessor

David Manzello – Town Assessor

Harald M. Scheid – Regional Assessor
Michael J. Saltsman – Associate Regional Assessor
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Introduction

Prior to the mailing of 3rd 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. The responsibility and procedures 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 recommendations made by the Town Assessor.

Steps in Setting Tax Rates

Pre-classification Hearing Steps

- Step 1: Determination of the property tax levy (Budget Process)
- Step 2: Determine assessed valuations (Assessor)
- Step 3: Tabulate assessed valuations by class (Assessor)

Classification Hearing Steps

- Step 4: Classification hearing presentation (Assessor & Select Board)
- Step 5: Determine tax shift options (Select Board)
- Step 6: Voting a tax shift factor (Select Board)

Post Classification Hearing Steps

- Step 7: Sign the LA-5 Classification Form (Select Board)
- Step 8: Send annual recap to DOR for tax rate approval (Assessor)
- Step 9: 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 taxation. In Harvard, the levy to be raised is estimated to be \$24,993,047. This represents a 2.76% increase over last year's levy of \$24,322,073

Levy Ceiling: The levy ceiling is 2 ½ percent of the full value of the Town. Based on the Harvard aggregate valuation of \$1,396,843,166, the town cannot levy taxes in excess of \$34,921,079

New Growth Revenue: Property taxes derived from newly taxable properties like new construction additions, renovations, subdivisions, and personal property. The Assessors have tabulated new growth revenues of \$173,043

Levy Limit: Also referred to as the "maximum allowable levy", this is calculated by adding 2½ percent of the previous year's levy limit plus new growth revenue for the present fiscal year and any excluded debt payments to last year's levy limit. Exceeding the levy limit requires an override of Proposition 2½. For Fiscal Year 2022, there are no such overrides. The maximum allowable levy for Fiscal Year 2022 is \$25,218,987

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

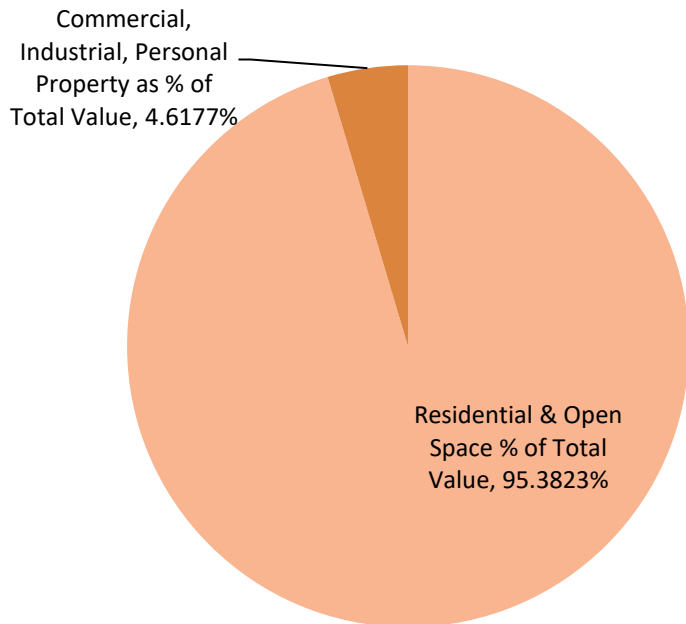
The Fiscal Year 2022 Levy Limit and Amount to be Raised

The following is a calculation of Harvard's levy limit for fiscal year 2022.

| | |
|---------------------------------------|-------------------|
| Fiscal Year 2021 Levy Limit | 21,588,904 |
| Levy Increase Allowed Under Prop. 2 ½ | 539,723 |
| New Growth Revenue | 173,043 |
| Fiscal Year 2021 Overrides | 0 |
| Excluded Debt To Pay Bonds | 2,917,317 |
| Capital Expenditure Exclusions | 0 |
| Fiscal Year 2021 Levy Limit | 22,301,670 |
| Levy Ceiling | 34,921,079 |
| Maximum Allowable Levy | 25,218,987 |
| Levy to Be Raised | 24,993,047 |
| Excess Levy Capacity | 225,940 |

Valuations by Class Before Tax Shift

| <u>Major Property Class</u> | <u>Value</u> | <u>Percent</u> | <u>Res vs. CIP%</u> |
|-----------------------------|-----------------|----------------|---------------------|
| Residential | \$1,332,340,490 | 95.3823% | 95.3823% |
| Commercial | \$42,756,662 | 3.0609% | |
| Industrial | \$2,513,900 | 0.1800% | 4.6177% |
| Personal Property | \$19,232,114 | 1.3768% | |
| Total | \$1,396,843,166 | 100.0000% | 100% |



Summary of Assessments (LA4)

The interim-revaluation requires the verification, analysis, and use of arms-length sales from calendar year 2020 for the residential class. Sales from calendar years 2019 and 2020 were used to value all other property classes, including the condominium, apartment, vacant land, commercial, and industrial classes. Market trends may indicate that different property types may change in value more or less than other property types.

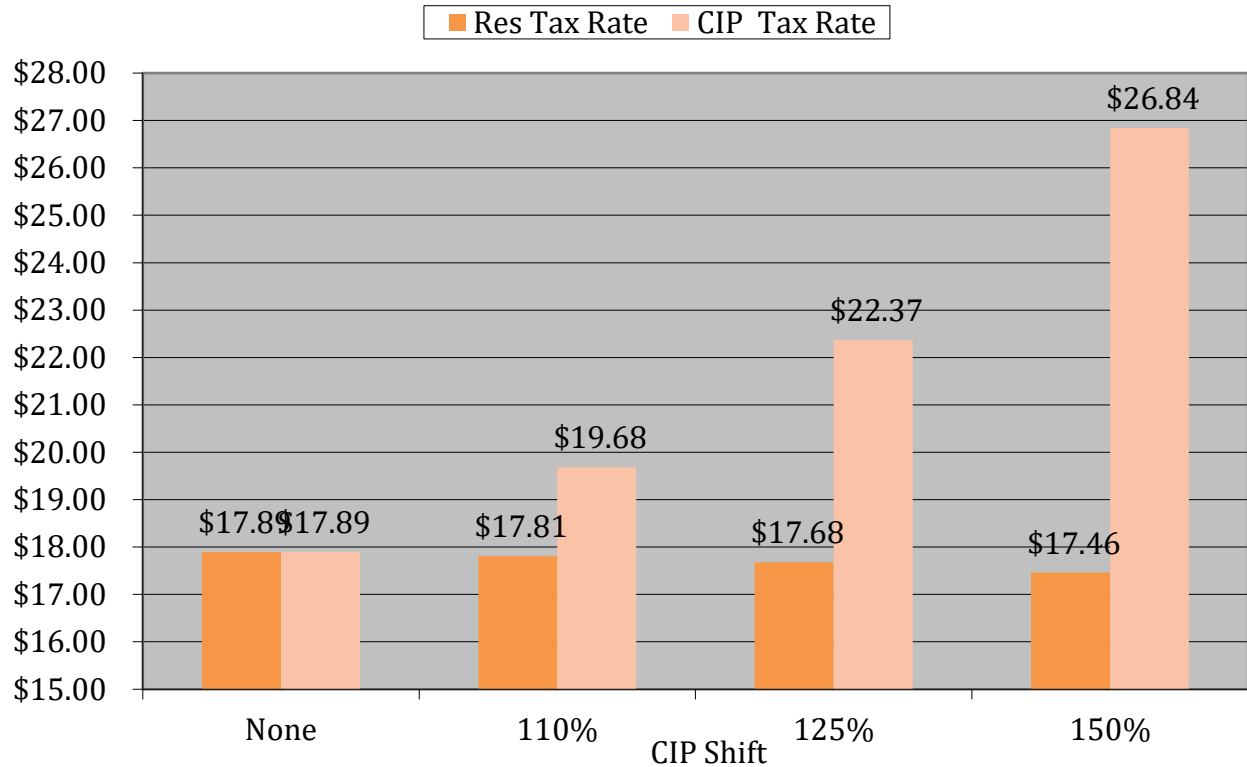
| Class | Count | Residential | Commercial | Industrial | Personal Property |
|------------------------------------|--------------|----------------------|-------------------|-------------------|--------------------------|
| 101 Single Family | 1,698 | 1,147,048,080 | 0 | 0 | 0 |
| 102 Condominiums | 178 | 56,298,200 | 0 | 0 | 0 |
| 103,109 Misc. Res. | 24 | 22,588,400 | 0 | 0 | 0 |
| 104 Two Family | 19 | 13,686,800 | 0 | 0 | 0 |
| 105 Three Family | 2 | 1,087,900 | 0 | 0 | 0 |
| 111-125 Apartments | 4 | 5,605,300 | 0 | 0 | 0 |
| 130's +106 Vacant Land | 238 | 19,752,500 | 0 | 0 | 0 |
| 300-393 Commercial | 51 | 0 | 35,388,472 | 0 | 0 |
| 400-452 Industrial | 16 | 0 | 0 | 2,439,200 | 0 |
| 600's Forestry | 51 | 0 | 75,800 | 0 | 0 |
| 700's Agricultural | 78 | 0 | 775,200 | 0 | 0 |
| 800's Recreation | 31 | 0 | 2,770,500 | 0 | 0 |
| 012-043 Mixed Use | 9 | 66,273,310 | 3,746,690 | 74,700 | 0 |
| 500-508 Personal Prop. | 54 | 0 | 0 | 0 | 19,232,114 |
| Total By Class | 2,453 | 1,332,340,490 | 42,756,662 | 2,513,900 | 19,232,114 |
| Total Taxable Properties | | | | | 1,396,843,166 |
| Total Tax Exempt Properties | 283 | | | | 215,756,000 |

Means Tested Senior Exemption

This year marks the third and final year Harvard will be implementing its Means Tested Senior Tax Exemption applicable to certain long term residents who qualify for the Massachusetts Circuit Breaker Income Tax Credit, unless the program is extended by a vote at Town Meeting. After reviewing the applications received, the Assessor has determined that 7 applicants will qualify for the exemption, resulting in an estimated award of \$23,124.04 in total exemptions. Per the requirements of the exemption program as passed at Town Meeting, this amount will be raised through a burden shift to the rest of the Residential class. Based on this year's tax rate, this will result in a \$.02 increase in the Residential tax rate.

Shifting the Tax Burden

Harvard FY2022 Tax Classification Options Using a Residential Factor



Municipalities with a large commercial/industrial/personal property tax base often see fit to shift the tax burden to help maintain lower residential taxes. Given Harvard's very small commercial and industrial base, it would take a large shift in C/I/P taxes to yield a modest residential tax reduction. For every \$1.00 the commercial, industrial and personal property tax rate is increased, the residential rate would only see a decrease of 5¢.

| Property Type Examples | FY2022 | Taxes by Shift | | | |
|-----------------------------------|--------------|----------------|-------------|-------------|-------------|
| | Valuation | 100% | 110% | 125% | 150% |
| Residential Average Single Family | \$675,528.90 | \$12,086.92 | \$12,028.40 | \$11,940.62 | \$11,794.33 |
| Tax Bill Change | | | -\$58.52 | -\$146.29 | -\$292.58 |
| Residential Change % | | | 0% | -1% | -2% |
| Commercial Store/Restaurant | \$693,891.61 | \$12,415.47 | \$13,657.02 | \$15,519.34 | \$18,623.21 |
| Tax Bill Change | | | \$1,241.55 | \$3,103.87 | \$6,207.74 |
| Industrial Warehouse | \$152,450.00 | \$2,727.71 | \$3,000.49 | \$3,409.64 | \$4,091.57 |
| Tax Bill Change | | | \$272.77 | \$681.93 | \$1,363.86 |
| CIP Change % | | | 10% | 25% | 50% |

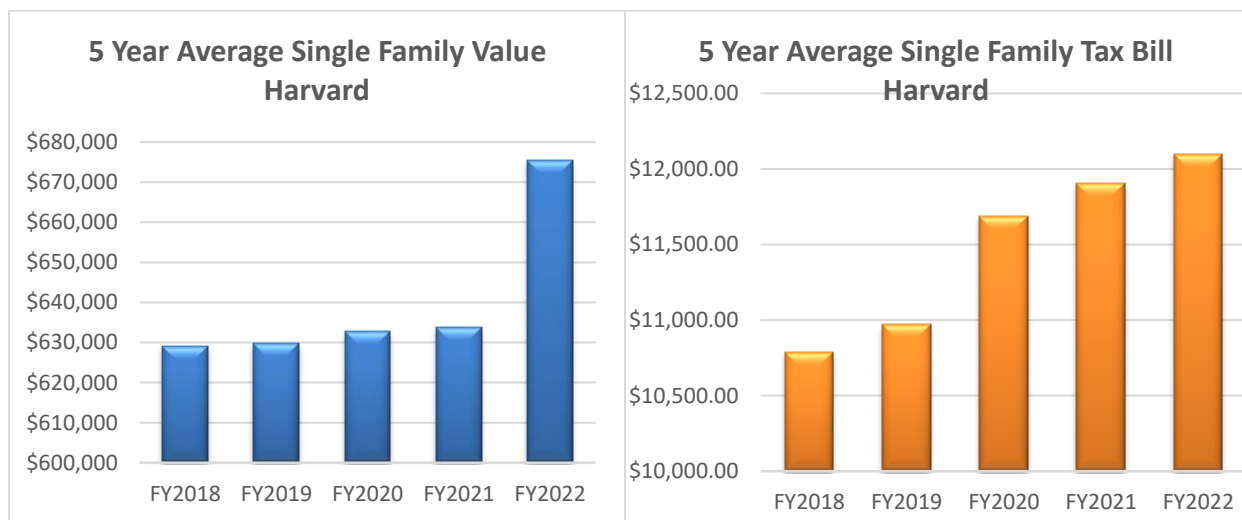
Tax Rates

Based on an anticipated vote to maintain a single tax rate, the Town Assessor has calculated the following tax rates needed to raise the tax levy:

| <u>Property Class</u> | <u>FY2022</u> | <u>FY2021</u> |
|-----------------------|---------------|---------------|
| Residential | \$17.91 | \$18.78 |
| Commercial | \$17.89 | \$18.75 |
| Industrial | \$17.89 | \$18.75 |
| Personal Property | \$17.89 | \$18.75 |

Note that the FY2021 tax rate is an estimate only and may change upon Department of Revenue review.

Tax Impacts



The average single-family parcel value saw an increase from \$633,920 in FY2021 to \$675,529 for FY2022 in response to the rising housing market. The average tax bill will increase by 1.63% from \$11,905.02 in FY2021 to \$12,098.78 in FY2022. The condominiums class increased about 6.54% and the commercial class increased about 9.1%, while the industrial class increased roughly .7% and the vacant land class decreased by 2.6%. Individual parcel valuations may vary from the class average due to data updates and corrections, new construction, and the effects of market trends on their specific characteristics.

Town Assessor Recommendation

The Town Assessor recommends that the Select Board adopt a single tax rate to be applied to all classes of property in Harvard.

Voting a Tax Shift Factor (proposed motion)

The Harvard 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 2022 tax rates and set the Residential Factor at 1.0, with a corresponding CIP shift of 1.0, pending approval of the town's annual tax recap by the Massachusetts Department of Revenue.