



Presentation for Chelmsford Taxpayers

Objective:

- Provide information to the voters on the impact of Split Tax Rate on Residential and CIP properties.

- Provide information to the voters on the impact of the Small Commercial Exemption.



Split Tax Rate

– Classes of Real Property:

- Residential
- Open Space
- Commercial
- Industrial
- Business Personal Property is a separate category for the purpose of allocating the Tax Levy.

– Split Tax Rate:

- Determines the share of the Total Levy to be borne by each class.
- Increases the tax burden on the CIP by the adopted percentage.
- Decreases the tax burden on the Residential.
- Revenue neutral. Splitting the tax rate does not increase the revenue the Town receives from property taxes.

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Overview

- After the values have been certified by the DOR the Selectmen must vote on the allocation of the Tax Levy to be borne by each class.
- By law there must be a public hearing at which time the assessors present information to the Board of Selectmen who will then vote on whether to establish different tax rates for the various classes or maintain a single rate.
- The share of the levy raised by the commercial, industrial and personal property may be increased 50% as long as the residential and open space classes raise at least 65% of what they would have raised without the shift.
- Out of 351 communities 109 have chosen to split the tax rate or 31%.



Tax Rate Calculation

- The Tax Rate is calculated by dividing the amount to be raised (Levy) by the Full and Fair Cash Value of the Town (Value) as highlighted below.
- $97,968,735 / 5,454,829,350 = .01796$ or 17.96 per 1,000 of value**

<u>Class</u>	<u>Levy</u>	<u>Perc</u>	<u>Value</u>	<u>Tax Rate</u>
Res	80,002,323	81.66	4,454,472,335	0.01796
CIP	17,966,412	18.34	1,000,357,015	0.01796
Total	97,968,735	100	5,454,829,350	0.01796

- For FY18, Chelmsford's Residential Class comprised 81.66% of the Tax Levy.
- Commercial/Industrial and Personal Property (CIP) comprised 18.34%

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- In a Split Rate scenario the CIP percentage is multiplied by the adopted percentage.
- For example, if the percentage adopted was 1.20 the CIP Levy is increased to 22.01% reducing the Residential Levy to 77.99% as shown below.
- Note the change in the Res Levy from 80,002,323 to 76,405,816 and the CIP from 17,966,412 to 21,562,919. The Total amount to be raised is unchanged.
- The calculation of the Tax Rate is the same.

Class	Levy	Perc	Value	Tax Rate
Res	80,002,323	81.66	4,454,472,335	0.01796
CIP	17,966,412	18.34	1,000,357,015	0.01796
Total	97,968,735	100	5,454,829,350	0.01796

$$18.34 \times 1.20 = 22.01$$

$$100 - 22.01 = 77.99$$

Class	Levy	Perc	Value	Tax Rate
Res	76,405,816	77.99	4,454,472,335	0.01715
CIP	21,562,919	22.01	1,000,357,015	0.02156
Total	97,968,735	100	5,454,829,350	

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<u>Class</u>	<u>Value</u>	<u>%</u>	<u>R & O %</u>	<u>Levy</u>
Res	4,454,472,335	81.66	81.66	80,002,323
Com	443,653,085	8.13		7,968,009
Ind	395,021,500	7.24	CIP%	7,094,586
PP	<u>161,682,430</u>	<u>2.96</u>	18.34	
Total	5,454,829,350	100	100	97,968,735

**Impact on
Value
Class**

**Tax Rates
Shift**

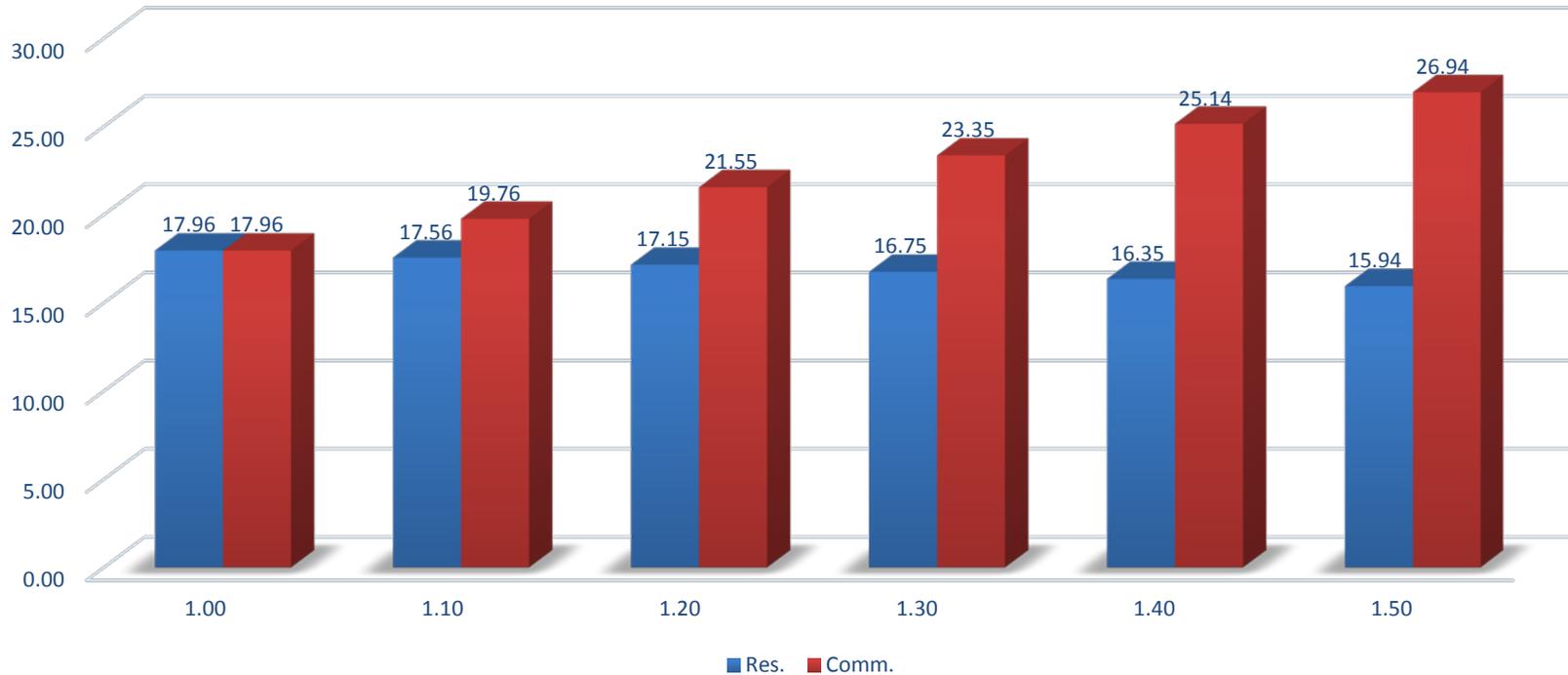
			200,000	400,000	600,000	800,000	1,000,000	1,400,000
			Res.	Res.	Res.	CIP	CIP	CIP
Shift	Res	CIP	Value	Value	Value	Value	Value	Value
1.00	17.96	17.96	3,592	7,184	10,776	14,368	17,960	25,144
1.10	17.56	19.76	3,511	7,023	10,534	15,805	19,756	27,658
1.15	17.35	20.65	3,471	6,942	10,413	16,523	20,654	28,916
1.20	17.15	21.56	3,431	6,861	10,292	17,250	21,562	30,187
1.30	16.75	23.35	3,350	6,700	10,050	18,678	23,348	32,687
1.40	16.35	25.14	3,269	6,539	9,808	20,115	25,144	35,202
1.50	15.94	26.94	3,189	6,377	9,566	21,552	26,940	37,716

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Shift Impact





Small Commercial Exemption.

- A Small Commercial Exemption may exempt up to 10% of taxes on certain Commercial parcels. There are two requirements.
- Property must be valued at less than \$1,000,000
- A business is eligible only if it has no more than 10 employees at all its locations
- Qualifies only if all occupants are eligible businesses in a multi-tenanted building
- Shifts tax burden to non-eligible Commercial properties and all Industrial properties.
- Revenue neutral. Small Commercial exemption does not increase the revenue the Town receives from property taxes.
- The exemption is applied to a specific parcel occupied by an eligible business, not the eligible business.

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- According to the DOR 14 Communities have adopted the Small Commercial Exemption out 351.
- Small Commercial Exemption may be adopted along with any other local tax policy.
- The parcel must be valued at less than \$1,000,000 and the occupying business[s] less than an average annual employment of 10 employees. The eligible business[s] do not need to own the real estate to qualify.
- The exemption is applied to the real estate not the business[s].
- The Small Commercial Exemption increases tax burden on non-eligible Commercial properties and all Industrial properties.
- Chelmsford has 431 Commercial parcels out which 368 are valued at less than 1M. There are 225 Industrial properties.

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This chart considers three parcels; two commercial at 750,000 and one industrial at 900,000. One commercial property is eligible, one is not. The eligible parcel's taxes are 12,191, the non-eligible parcel's taxes are 13,546.

<u>Class</u>	<u>Value</u>	<u>%</u>	<u>R & O %</u>							
Res	4,454,472,335	81.66	81.66							
Com	443,653,085	8.13								
Ind	395,021,500	7.24	CIP%							
PP	161,682,430	2.96	18.34							
Total	5,454,829,350	100								
	97,968,735									

The C & I Tax Rates assume a 10% Commercial Exemption which equates to \$4,712,200 in value.

					Res.	Res.	Res.	Eligible Commercial	Non-Eligible Commercial	Ind.
Shift	Res	Com	Ind	PP	200,000	300,000	400,000	750,000	750,000	900,000
1.00	17.96	18.06	18.06	17.96	3,592	5,388	7,184	12,191	13,546	16,255

Taxes are calculated for the eligible parcel by subtracting 75,000 (10%) from the value and multiplying it by the TR.