

Review of Fiscal Year 2024 Tax Levy Allocation Options

Town of Barnstable

Why are we here?



The tax rate and tax bills can be impacted by decisions that shift a portion of the tax levy between and within different classes of property

- The “**Split Tax Rate**” allows for the shift of a portion of the tax levy from the residential class of property to the commercial, industrial and personal property classes (CIP).
- Adopting a **Residential Exemption** increases the residential tax rate. The amount of the tax levy paid by the residential class remains the same, but because of the exempted residential value, the levy is distributed over less assessed value resulting in a higher tax rate. This higher rate creates a shift within the class that reduces the taxes paid by homeowners with moderately valued properties. Those taxes are then paid by owners of rental properties, vacation homes and higher valued homes.

How is the Tax Levy Allocated?

- Based on assessed value for each class of property
- Assessed values are determined by analyzing the last full calendar year of sales data – calendar year 2022
- As a result, assessed values will not necessarily reflect today's market value

Class	Value	%
Residential	\$ 22,037,156,878	89.86
Commercial	1,865,999,379	7.61
Industrial	106,189,700	0.43
Personal	515,172,860	2.10
Total	\$ 24,524,518,817	100.00

What is the Change is Assessed Value from Previous Year?

- Growth in residential values are a result of a continued strong residential sales market in calendar year 2022
- Much of the growth in the personal property class is a result of Vineyard Wind

Class	FY23 Value	FY24 Value	\$ Change	% Change
Residential	\$ 19,481,851,049	\$ 22,037,156,878	\$ 2,555,305,829	13.1
Commercial	1,879,347,857	1,865,999,379	(13,348,478)	-0.7
Industrial	105,764,700	106,189,700	425,000	0.4
Personal	403,867,570	515,172,860	111,305,290	27.6
Total	\$ 21,870,831,176	\$ 24,524,518,817	\$ 2,653,687,641	12.1

Fiscal Year 2024 Maximum Allowable Levy

Calculation:

1. Previous year's levy limit;
2. Increased by 2.5%;
3. Add new property growth;
4. Add any voter approved capital and/or debt exclusions and other special assessments.

The FY24 tax levy is \$145.2 million; or 3.2% more than FY23.

Fiscal 2023 level limit	\$ 138,604,718
Proposition 2½ allowable increase	3,465,118
Fiscal 2024 new property growth	<u>1,539,766</u>
Fiscal 2024 levy limit	143,609,602
Fiscal 2024 approved debt exclusion (Cape Cod Regional Technical HS)	1,716,996
Fiscal 2024 CC Commission assessment	<u>668,699</u>
Fiscal 2024 maximum allowable levy	145,995,297
Tax levy used to balance the Fiscal 2024 budget	<u>(145,205,501)</u>
Remaining excess taxing capacity	\$ 789,796

Allocation of Fiscal 2024 Tax Levy by Class

Class	Value %	Tax Levy
Residential	89.86	\$ 130,481,663
Commercial	7.61	11,050,139
Industrial	0.43	624,384
Personal	2.10	3,049,316
Total	100.00	\$ 145,205,501

Calculation of Fiscal 2024 Tax Rate

Tax Levy	\$ 145,205,501
÷ Total Assessed Value	<u>\$ 24,524,518,817</u>
=	0.00592
	<u>X 1,000</u>
Fiscal 2024 Tax Rate before adoption of any tax levy shifting options	\$5.92

The single tax rate for Fiscal 2023 was \$6.43 or \$0.51 more. The 12% increase in overall property values exceeds the 3.2% increase in the tax levy resulting in a drop in the tax rate of 7.9%.

History of Tax Levy Allocation

Stronger growth in residential property values have resulted in a natural shift of more of the tax levy to this class.

In order for each class of property's share of the tax levy growth to be equal to the percentage of growth in the overall tax levy (36.12%) approximately \$2,377,000 would need to be shifted to the CIP class from the Residential class.

	Total Levy	Residential Levy	CIP Levy	Residential %	CIP %
FY15	\$106,676,485	\$ 94,113,481	\$ 12,563,004	88.22%	11.78%
FY16	\$110,547,067	\$ 97,234,780	\$ 13,312,287	87.96%	12.04%
FY17	\$114,248,985	\$ 100,243,476	\$ 14,005,509	87.74%	12.26%
FY18	\$118,531,664	\$ 104,195,587	\$ 14,336,077	87.91%	12.09%
FY19	\$122,755,924	\$ 108,158,664	\$ 14,597,260	88.11%	11.89%
FY20	\$128,392,357	\$ 113,772,075	\$ 14,620,282	88.61%	11.39%
FY21	\$132,058,458	\$ 114,913,652	\$ 17,144,806	87.02%	12.98%
FY22	\$136,243,967	\$ 119,857,320	\$ 16,386,647	87.97%	12.03%
FY23	\$140,669,929	\$ 125,308,787	\$ 15,361,142	89.08%	10.92%
FY24	\$145,205,501	\$ 130,481,663	\$ 14,723,838	89.86%	10.14%
% Growth over past 10 years	36.12%	38.64%	17.20%	1.64%	(1.64%)

Option 1: Split Tax Rate

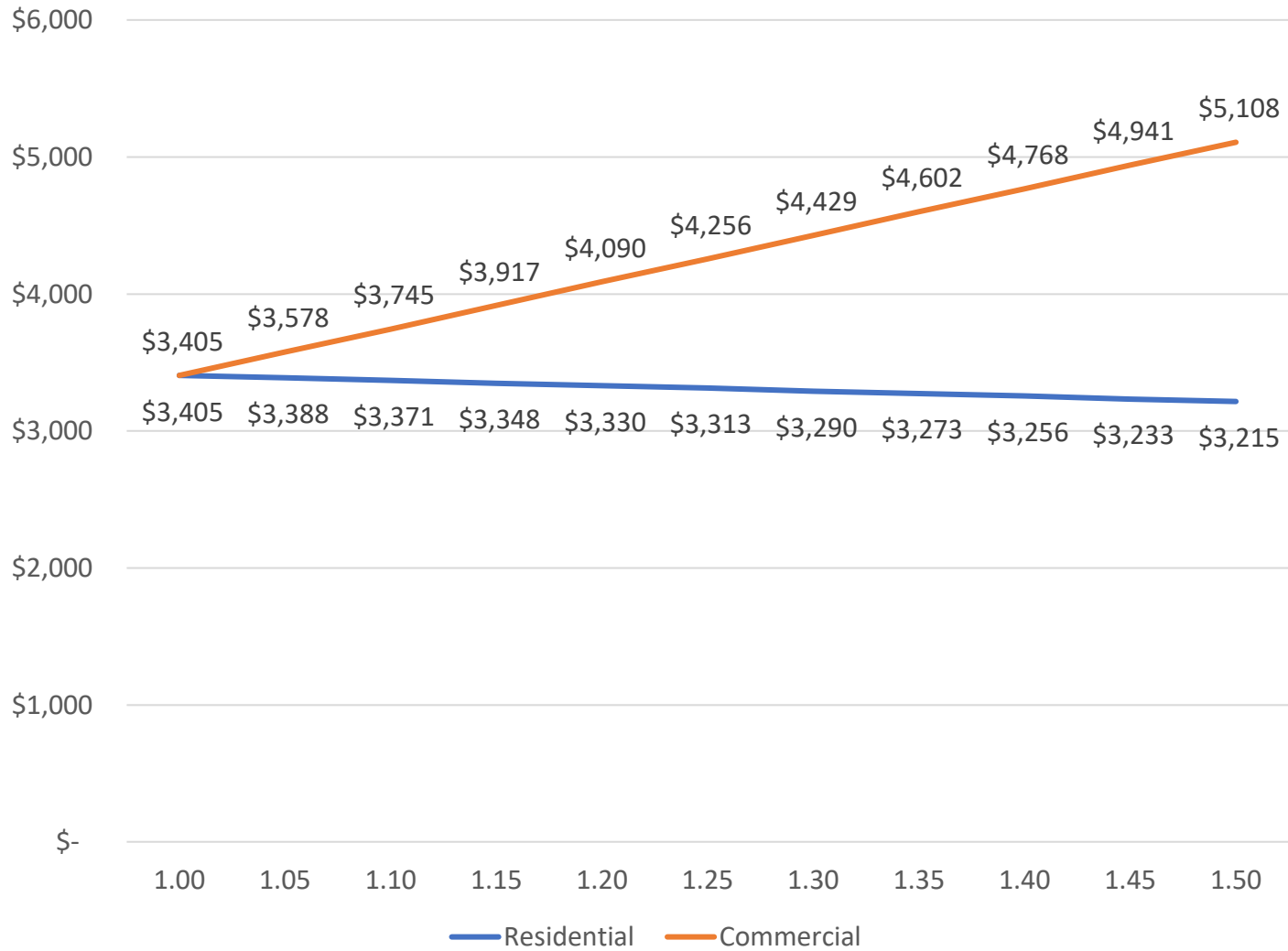
% Shift	Residential Levy	CIP Levy	Residential Rate	CIP Rate
1.00	\$ 130,481,663	\$ 14,723,838	5.92	5.92
1.05	\$ 129,739,371	\$ 15,466,130	5.89	6.22
1.10	\$ 129,002,886	\$ 16,202,615	5.86	6.51
1.15	\$ 128,266,402	\$ 16,939,099	5.82	6.81
1.20	\$ 127,529,918	\$ 17,675,583	5.79	7.11
1.25	\$ 126,793,434	\$ 18,412,067	5.76	7.40
1.30	\$ 126,056,949	\$ 19,148,552	5.72	7.70
1.35	\$ 125,320,465	\$ 19,885,036	5.69	8.00
1.40	\$ 124,583,981	\$ 20,621,520	5.66	8.29
1.45	\$ 123,847,496	\$ 21,358,005	5.62	8.59
1.50	\$ 123,111,012	\$ 22,094,489	5.59	8.88

As indicated in the previous slide, if the tax policy was to equalize the percentage increase in the tax levy for all property classes, then \$2.3 million would be shifted from the Residential class to the CIP class.

A percentage shift of 1.15 would accomplish this, which would raise the CIP levy from \$14.7 million to \$16.9 million.

As nearly 90% of taxable property is residential there is a very small monetary benefit to the residential class from any shift. The residential rate declines 3 cents at each shift illustrated, while the CIP rate increases 30 cents.

Impact Based on Median Residential Value = \$575,200



Split Tax
Rate – Tax
Bill Impact

Option 2: Residential Exemption

- Town Council can authorize up to a 35% exemption for Barnstable "residents"
- The property must be the "primary residence" of the owner as used for income tax filing purposes and they must have owned the property on January 1, 2023
- This option shifts the taxes only **within** the residential class of taxpayers & does not change the levy amount itself or impact CIP property owners
- 18 communities out of 351 adopted the residential exemption in FY23
- Barnstable has adopted a 20% exemption every year since 2006
- This option reduces the taxable assessed value for each qualifying primary residence
- Barnstable has approximately 11,630 qualified properties
- The result of adoption would be a higher tax rate for all residential properties and a deduction from every qualified property's value before the tax is calculated at the higher tax rate

Community	FY23 Percentage
Boston	35
Chelsea	35
Somerville	35
Waltham	35
Provincetown	35
Watertown	33
Cambridge	30
Malden	30
Wellfleet	30
Truro	30
Everett	25
Nantucket	25
Tisbury	22
Brookline	20
Barnstable	20
Concord	10
Oak Bluffs	8
Mashpee	5

Residential Exemption Calculation

- The exemption may not exceed 35 percent of the average assessed value of all residential properties.
- To calculate the exemption the average assessed value of all residential parcels must first be determined.
- The adopted percentage is applied to average value. The assessed valuation of each residential parcel that is the domicile of the taxpayer is then reduced by that amount before the tax bill is calculated.

Total Residential Value	\$ 22,037,156,878
Total Residential Parcels	25,706
Average Residential Value	\$ 857,277

Average Residential Value	\$ 857,277
FY23 Exemption Percentage	20%
FY24 Exemption Value using same %	\$ 171,455
Eligible Parcels	11,630
Residential Value Exempted	\$ 1,994,021,650

Residential Exemption Impact on Residential Tax Rate (No Impact on CIP Rate)

	With 20% Residential Exemption
Residential Value	\$ 22,037,156,878
Value Exempted	<u>\$ 1,994,021,650</u>
Net Value Taxed	\$ 20,043,135,228
Residential Tax Levy	\$ 130,481,663
Residential Tax Rate	\$ 6.51

As the residential exemption removes a portion of the property value subject to taxation it results in a higher tax rate for the residential class as the same amount of taxes are levied on this class of property.

Tax Bill Comparison

- The breakeven point where there is no tax advantage for a primary resident with a 20% residential exemption is **\$1,890,000**.
- Primary resident property owners valued above the breakeven point should still seek the exemption.
- The dollar value of a 20% exemption is **\$1,116**.

