

# **Fiscal Year 2016 Revaluation and Tax Impacts**

*Presented to:*  
**Board of Selectmen**  
**for Tax Classification Hearing**

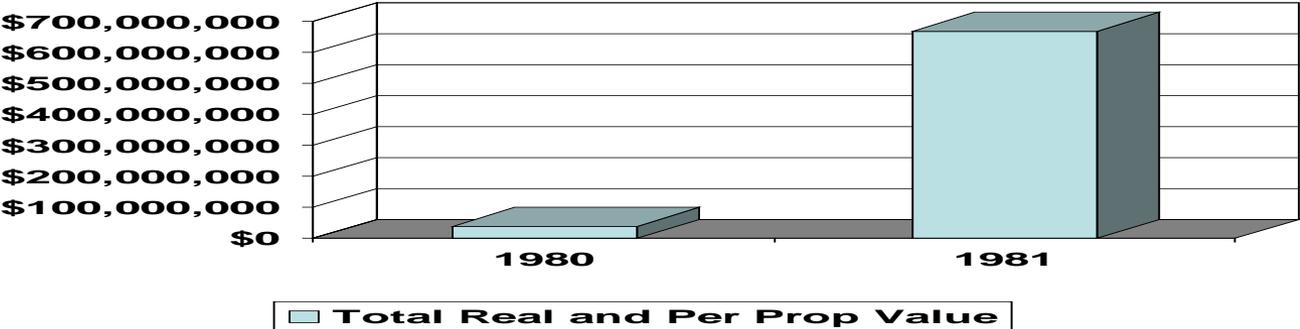
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# Assessments and Valuation (in Massachusetts)

- Constitutional requirement that all property is to be taxed proportionately.
- 1961-"Bettigole vs. City of Springfield, MA. SJC declared that proportionality could only be achieved if each parcel of real estate was assessed at its "full and fair value".
- 1962-1973 Only half of the cities and towns in MA complied with the Bettigole Decision.
- 1974 "Sudbury Decision"-City of Sudbury, MA. Gave the Commissioner of Revenue the power and duty to direct local assessors to assess at "full and fair value".
- 1975-1979-Citing a lack of sufficient funding, many cities and towns in MA continued to delay the achievement of "full and fair value" as no deadline had been established by the court.
- November 1979-Chapter 797 of the Acts of 1979-Strengthened the Commissioners authority.
  - Commissioner to establish guidelines for achieving "full and fair value".
  - Cities and Towns must appropriate adequate funding for a revaluation (or the Commissioner will).
- 2005- The Department of Revenue issued a mandate that communities must also conduct "interim year adjustments" to property values in the years between certifications.

# Nantucket's First "Reval"

- More than thirty years ago Nantucket was one of the earliest communities to be certified as being at "full and fair value" when total property values went from \$39,235,561 in 1980 to \$668,923,450 in 1981.



Although property values increased, overall, tax bills were equalized by the drop in the tax rate and the adoption of a split rate.

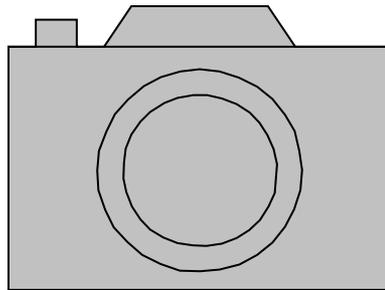
1980 Single Tax Rate  
\$128.00

1981 Split Tax Rate  
Residential: \$ 8.60  
Open Space: \$ 6.87  
Commercial: \$ 12.94

# The Assessment Process Today

- In Massachusetts, property values are assessed at 100% of market value.
- The assessment date is January 1 of the year *prior to* the start of the fiscal year.
- Property values are reviewed and adjusted if necessary every year.
- Every 3 years the Commissioner of Revenue certifies that values are at an acceptable level of market and that they were developed by the use of acceptable appraisal standards (Revaluation).
- Since Fiscal Year 2005, mandatory interim year adjustments to value have been made. Every year is now considered a “reval year”.

- For the Fiscal Year 2016, assessments are based on ownership and condition of the property as of January 1, 2015.
- Fiscal Year 2016 assessments were developed using sales that occurred during the calendar year 2014.
- They represent a “snapshot” in time of the market, as of January 1, 2015.



# The Valuation Process

- Assessments are determined through the use of **mass appraisal** techniques.
- Mass appraisal is the process of valuing a group of properties as of a given date, using standard methods, and allowing for statistical testing. The **standard techniques** used to determine value are:
  - Cost: Used for new construction
  - Income: Used for Commercial Properties
  - Market: Sales Comparison Approach
- Statistical Testing measures both the level and uniformity of assessments to sales price.



# Assessment Level

- The assessment level (ASR) is determined by dividing the assessment by the sales price.
- Example: If a property is assessed for \$750,000 and sells for \$740,000, the ASR is 101%.
  - $\$750,000/\$740,000$
- The Commissioner of Revenue has determined that the overall median ASR for each class of property must be within 90%-110%.
- After removing all sales that were not “arms-length” (IE: physical change in the property , short sales, foreclosures, or a sale between related parties) 333 sales were used for analyses.
- For each class of property the ASR must be determined for all sales. Note that for the Fiscal Year 2016 Revaluation, sales from the calendar year 2014 were used.

# Assessment Uniformity

- Once the median ASR for each class has been determined, the absolute variation from each sales ASR must be calculated and summed to determine the average absolute deviation from the median. (coefficient of dispersion or COD) This will determine the uniformity or “horizontal equity” of the proposed values. The Commissioner of Revenue has determined that an acceptable measure of uniformity is a COD of less than 10% for Single Family properties.
- For the Fiscal Year 2016 Nantucket's median ASR for the single family class is 98%.
- and the COD is 6%. A sample of this is shown below.

sale_date	prop - type _id	nal_ code	sale_price	proposed _value	as_ ratio		
05/15/2014	101		1,290,000	1,180,700	0.92	0.98	0.06
05/21/2014	101		815,000	746,500	0.92	0.98	0.06
09/12/2014	101		1,740,000	1,594,700	0.92	0.98	0.06
09/10/2014	101		725,000	665,600	0.92	0.98	0.06
05/30/2014	101		868,000	796,900	0.92	0.98	0.06
12/15/2014	101		2,580,000	2,370,800	0.92	0.98	0.06
11/10/2014	101		882,500	812,300	0.92	0.98	0.06
01/14/2014	101		877,000	812,000	0.93	0.98	0.05
02/21/2014	101		1,785,000	1,654,500	0.93	0.98	0.05
06/06/2014	101		890,000	825,500	0.93	0.98	0.05

In addition to the analyses by property class, assessment levels and uniformities are measured for all residential properties based on:

Sales Price

Date of Sale

Building Style

Building Age

Neighborhood/Location

Lot Size

Once the level of assessment has been achieved, the sold properties serve as models from which new cost tables and land schedules are developed. These new rates are then applied to all properties.

The overall changes in value, attributable to the revaluation are shown below:

Single Family (101)	13.3051%
Condo (102)	9.3294%
2 & 3 Family (104,105)	5.7421%
Multi Family (111-125)	8.4850%
Vacant Land (130-132,	19.5664%
All Others	11.4824%
Total Residential	12.7643%
Open Space	-1.7078%
Commercial	3.6278%
Chapter 61,61A,61B	-13.1512%
Total Commercial	5.8724%
Industrial	0.8865%

# New Growth

New growth is an allowable increase to the tax levy each year and it is comprised of new tax revenue attributable to:

- ❖ New Construction (including additions)
  - ❖ New Parcels (subdivisions)
  - ❖ Newly taxed articles of personal property
  - ❖ Parcels that are being assessed for the first time
  - ❖ New Personal Property items
- 
- The growth is calculated by multiplying the current fiscal year assessments by the prior years tax rates.
  - For the fiscal year 2016, new growth added \$1,140,085 of new tax dollars to the tax levy.
  - New growth must be certified by the Commissioner of Revenue every year.

# FY 2016 NEW GROWTH Values by Class

Single Family (101)	113,237,600
Condo (102)	6,856,900
2 & 3 Family (104,105)	560,200
Multi Family (111-125)	0
Vacant Land (130-132,)	31,298,900
All Others	99,281,992
<b>Total Residential</b>	<b>251,235,592</b>
Open Space	0
Commercial	21,172,718
Chapter 61,61A,61B	3,258,200
<b>Total Commercial</b>	<b>24,430,918</b>
Industrial	2,061,700
<b>TOTAL REAL</b>	<b>277,728,210</b>
Personal Property	10,047,352
	<b>287,775,562</b>

## Total Taxable Value

After accounting for revaluation changes and new growth,  
the total value for the Town of Nantucket increased by  
12.9%

Fiscal Year 2015:

Fiscal Year 2016

- \$18,181,425,169

\$20,544,013,596

# Tax Rate

As a general rule, the tax rate is determined by dividing the Tax Levy, \$69,636,374 by the total taxable value, \$20,544,013,596 and then multiplying by 1,000. This would yield a “nominal tax rate” of \$3.40.

However, like many communities, Nantucket has a split tax rate which shifts an additional percentage of the tax burden to the commercial, industrial and personal property classes.

A	B	C	D
Class	Certified Full and Fair Cash Value Assessments	Percentage Full Value Shares of Total Tax Levy	New Percentage Shares of Total Tax Levy
Residential	19,250,070,530.00	93.7016 %	89.0224 %
Open Space	11,465,100.00	0.0558 %	0.0530 %
Commercial	998,753,099.00	4.8615 %	8.5077 %
Industrial	51,031,421.00	0.2484 %	0.4347 %
Personal Property	232,893,446.00	1.1327 %	1.9822 %
TOTAL	20,544,013,596.00	100.0000 %	100.0000 %

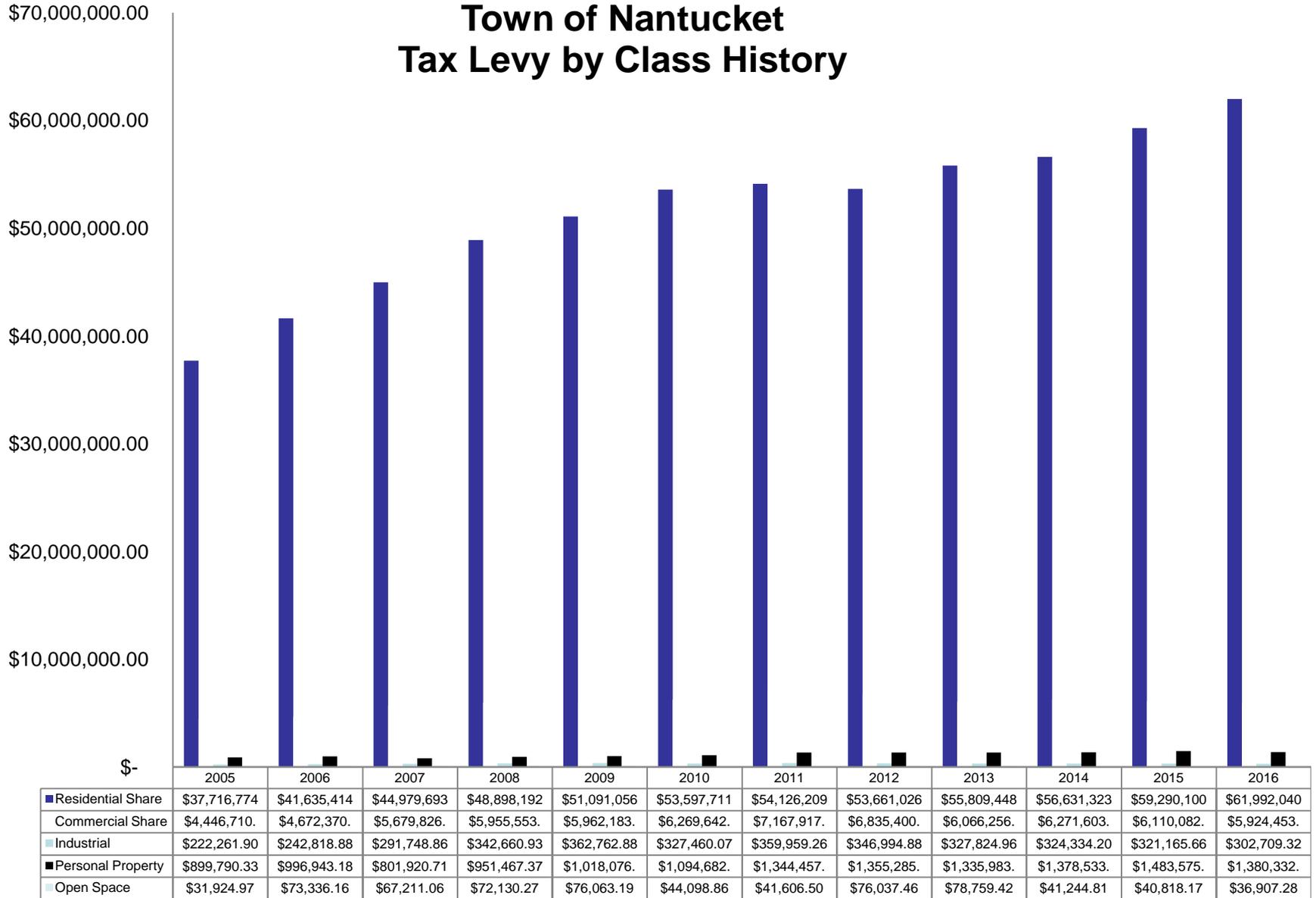
	Levy by Class	Levy by Class	Tax Rates	Tax Rates
	1.75 Shift	No Shift	1.75 Shift	No Shift
Residential	\$61,992,007.18	\$65,250,400.04	\$ 3.36	\$ 3.54
Open Space	\$36,921.66	\$38,862.32	\$ 3.22	\$ 3.39
Commercial	\$5,924,436.41	\$3,385,392.23	\$ 5.93	\$ 3.39
Industrial	\$302,709.86	\$172,977.06	\$ 5.93	\$ 3.39
Subtotal	\$68,256,075.10	\$68,847,631.65		
Personal	\$1,380,298.62	\$788,742.07	\$ 5.93	\$ 3.39
TOTAL	\$69,636,373.72	\$69,636,373.72		

# Town of Nantucket Tax Shift History



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential Share	87.0706%	87.4310%	86.7992%	86.9765%	87.3200%	87.3872%	85.8599%	86.1682%	87.7255%	87.6008%
Commercial Share	10.2654%	9.8116%	10.9606%	10.5933%	10.1900%	10.2222%	11.3704%	10.9762%	9.5354%	9.7013%
Industrial	0.5131%	0.5099%	0.5630%	0.6095%	0.6200%	0.5339%	0.5710%	0.5572%	0.5153%	0.5017%
Personal Property	2.0772%	2.0935%	1.5475%	1.6924%	1.7400%	1.7848%	2.1327%	2.1763%	2.1000%	2.1324%

# Town of Nantucket Tax Levy by Class History



Based on a shift of 1.75 the proposed tax rates for FY 2016 are:

	<b>FY 2016</b>	<b>FY 2015</b>	
Residential	3.36	3.61	(.25)
Open Space	3.22	3.45	(.23)
Commercial	5.93	6.38	(.45)

# Residential Exemption

- MGL C. 59 section 5c allows a community to provide an exemption to taxpayers who **own and occupy** their dwelling as their primary residence.
- This exemption may not exceed 20% of the average value in the residential property class.
- The exemption and the percentage, if any, are voted on annually by the Board of Selectmen during the tax classification hearing.
- The average residential value for Nantucket increased 8% between FY 2015 and 2016.
- **FY 2015:** \$1,684,585                      **FY 2015:** \$1,812,625
- A vote to adopt a 20% exemption will result in a reduction of \$362,525 to each qualifying parcel. This amount was \$336,917 in Fiscal Year 2015.
- This amount is subtracted from the assessed value of each qualifying parcel to determine its taxable value.

# Tax Bills

- The average residential tax bill is projected to be:

<b>FY 2015</b>	<b>FY 2016</b>	<b>Difference</b>
• \$5,660	\$6,090	\$430

- For the FY 2016 tax billing there are 2,205 parcels that are eligible for the residential exemption.

- Of these, the average year-round tax bill is projected to change as follows:

<b>FY 2015</b>	<b>FY 2016</b>	<b>Difference</b>
• \$2,538	\$2,717	\$179