



**CITY OF NORTHAMPTON
MASSACHUSETTS**

Municipal Building
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Northampton, Massachusetts 01060

BOARD OF ASSESSORS

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October 3, 2016

Mayor David J. Narkewicz
City of Northampton
210 Main Street
Northampton, MA 01060

Dear Mayor Narkewicz:

Attached please find information for the City of Northampton Fiscal Year 2017 Tax Classification Hearing. The Board of Assessors recommend a single tax. The estimated tax rate of \$16.73 per thousand for Fiscal Year 2017 is based upon an assessed value of \$3,326,705,710 and a tax levy of \$ 55,641,932. The estimated tax rate is an increase from the current tax rate of \$16.16 per thousand. This increase is a result of an increase in real property values, an increase in the tax levy capacity and an increase in payments for debt excluded debt.

The maximum allowable levy for Fiscal Year 2016 was \$ 53,149,405 and the maximum allowable levy for Fiscal Year 2017 is \$55,641,932, an increase of \$2,492,527 in the tax levy. The tax levy increase is a result of the annual 2.5% increase of \$ 1,309,776, new growth of \$847,701 and an increase in payments for debt excluded debt of \$335,050. Principal and interest on the three debt excluded projects (Fire Station, High School and Police Station) totals \$1,093,417. It should be noted that the Fire Station debt exclusion ends in Fiscal Year 2019, and the High School debt exclusion ends in Fiscal Year 2020.

Municipalities in Massachusetts are required to classify real estate into four classes, according to use: residential, open space, commercial and industrial. Municipalities that are certified as assessing property at its full and fair cash value may elect to shift the tax burden among the major property classes within certain limits established by law. The adoption of either a single tax rate or a split tax rate simply determines, within limits calculated by the Department of Revenue, what percentage of the tax burden is to be borne by each property class. Chapter 40, Section 56 states that the allocation of the tax levy is determined by the city council together with the mayor's approval in a city.

Selection of a single tax rate (or the factor of 1) means that all four property classes will pay the same tax rate. However, the law allows the option to shift the tax burden among the classes. Municipalities have the option of whether to tax all classes of property at their full and fair cash valuation share of the tax levy, which results in a single tax rate, or to reduce the share of the tax levy paid by the residential and open space property owners and shift those taxes to commercial, industrial and personal property taxpayers, which results in a split tax rate.

The adopted factor cannot be less than the minimum residential factor (MRF) calculated by DOR. The MRF represents the maximum shift allowed in the tax levy for the year and establishes the parameters for local decision making.

Single Tax Rate: A residential factor of "1" results in the taxation of all property at the same rate. Each property class pays its full and fair cash valuation share of the tax levy, e.g., if the value of all residential properties make up 80 percent of the total assessed valuation, residential taxpayers will pay 80 percent of the tax levy.

Split Tax Rate: A residential factor of less than "1" reduces the share of the tax levy paid by the Residential and Open Space (RO) classes and increases the share paid by the Commercial, Industrial and Personal Property (CIP) classes. The result is two tax rates: one for RO properties and a second, higher rate for CIP properties. Conversely, a factor greater than "1" may be adopted, which would have the opposite effect. The following chart shows the assessed values by class for the City of Northampton since FY2003 during which a single tax rate has been in effect.

Property Classification - City of Northampton, MA FY2003 - FY2017										
Fiscal Year	Residential Value	Open Space Value	Commercial Value	Industrial Value	Personal Property Value	Total Assessed Value	% of Total Value	CIP as % of Total Value	Tax Rate	
2003	1,355,760,630	0	282,643,460	67,648,040	63,355,150	1,769,407,280	76.62	23.38	16.40	
2004	1,783,131,940	0	365,222,430	77,250,292	54,954,130	2,280,558,792	78.19	21.81	13.38	
2005	1,965,674,420	0	372,988,500	78,060,852	56,176,720	2,472,900,492	79.49	20.51	12.85	
2006	2,264,423,450	0	380,792,180	78,904,576	58,787,660	2,782,907,866	81.37	18.63	11.73	
2007	2,551,795,390	0	456,957,224	87,621,493	63,714,410	3,160,088,517	80.75	19.25	10.89	
2008	2,584,193,700	0	445,059,900	87,313,700	77,019,250	3,193,586,550	80.92	19.08	11.20	
2009	2,600,716,350	0	457,643,110	88,915,090	92,914,550	3,240,189,100	80.26	19.74	11.48	
2010	2,570,772,410	0	451,555,850	84,013,220	87,213,650	3,193,555,130	80.50	19.50	12.64	
2011	2,582,527,470	0	451,435,010	87,770,590	90,998,620	3,212,731,690	80.38	19.62	12.96	
2012	2,596,822,400	0	449,401,900	98,382,400	93,293,090	3,237,899,790	80.20	19.80	13.35	
2013	2,545,566,821	0	443,776,768	106,125,503	87,450,390	3,182,919,482	79.98	20.02	14.23	
2014	2,564,491,750	0	458,039,890	104,104,840	87,386,900	3,214,023,380	79.79	20.21	15.39	
2015	2,591,076,188	0	476,973,450	103,683,900	87,310,540	3,259,044,078	79.50	20.50	15.80	
2016	2,623,226,938	0	477,511,976	103,481,726	84,166,120	3,288,386,760	79.77	20.23	16.16	
2017	2,657,183,160	0	480,864,920	103,145,150	85,512,480	3,326,705,710	79.87	20.13	16.73	

Sincerely,



Joan C. Sarafin
Principal Assessor

FISCAL YEAR 2017 VALUES BY CLASSIFICATION

	Total Valuation	Percentage		Total
Residential	2,657,183,160	79.87	79.87%	RO
Open Space	0	0.00%	0	
Commercial	480,864,920	14.45%		
Industrial	103,145,150	3.10%	20.13%	Total CIP
Personal Property	85,512,480	2.57%		
TOTAL:	3,326,705,710		100.00%	
Maximum Share of Levy for CIP		30.20%	(1.50 x 20.13%)	
Minimum Share of Levy for RO		69.80%	(100% - 30.20%)	
Minimum Residential Factor		87.40%	(69.80% / 79.87%)	

Residential Properties – may be of three types:

- A. Owner-occupied and primary residence of taxpayer
- B. Non owner-occupied, including rental single family, rental portions of multi-family dwellings, apartment complexes, and second homes
- C. Vacant, residential zoned land

Open Space – Northampton does not use this optional classification category

Commercial Properties – these include stores, office buildings and all vacant land classified as forestland, (Chapter 61) farmland (Chapter 61A), and recreational land (Chapter 61B)

Personal Property – this includes all property owned by unincorporated property owners. Incorporated property owners pay only on property used in the conduct of business. Some major accounts are Western Electrical Company, New England Telephone Company, Comcast, and Bay State Gas Company. All of these companies pay taxes based on the value of poles, wires, and conduits. Utilities pay 57% of the Personal Property total tax.

ALLOCATION OF THE TAX LEVY

The law allows a community to provide some relief to Residential (R) and Open Space (O) classes by adding to the Commercial (C), Industrial (I), and Personal Property (P) classes, an amount up to 150% of their portion of the levy. The percentage arrived at is called the Minimum Residential Factor (MRF).

For FY 2017 the MRF would be 87.4016, representing a reduction of 12.59% for the R and O classes. In the past, the City has used 100% as the MRF, which resulted in no shift of the burden and a uniform tax rate for all classes.

TAX RATE A FACTOR OF 87.4016

Factor of 1 - Even Tax Rate		Residential Rate - \$14.62	
Average House	303,705	Average House	303,705
Even Tax Rate	x 16.73	Factor of	x 14.62
	5,080.98	87.4016	4,440.16

\$640.82 less for average house

Factor of 1 - Even Tax Rate		Commercial Rate - \$25.09	
Average Commercial	620,000	Average Commercial	620,000
Even Tax Rate	x 16.73	Factor of	x 25.09
	10,372.60	87.4016	15,555.80

\$5,183.20 increase for average commercial property

Factor of 1 - Even Tax Rate		Industrial Rate - \$25.09	
Average Industrial	650,100	Average Industrial	650,100
Even Tax Rate	x 16.73	Factor of	x 25.09
	10,876.17	87.4016	16,311.00

\$5,434.84 increase for average industrial property

This factor lowers the residential rate by \$2.11. In return the commercial rate goes up to compensate for what is lost in residential taxes. The commercial rate would be \$25.09 a \$8.36 increase.