

The Residential Exemption Report

VIII. CONSEQUENCES

Previous areas of the report have cautioned that the exemption will provide a benefit to a number of property owners, while at the same time acting as a detriment to a different group of property owners. This segment will take a closer look at both the positive and the negative consequences.

Based on the initial assumptions made in terms of eligibility as identified in Qualification & Eligibility the following chart projects the likely tax decreases within specific valuation ranges.

Tax Decrease Chart

<u>COUNT</u>	<u>AVERAGE TAX DECREASE</u>	<u>FISCAL YEAR 2010 ASSESSMENT RANGE</u>
17	\$1,832.46	Up to \$200,000
189	\$1,503.26	\$ 200,000 to 300,000
657	\$,1209.31	\$ 300,000 to 400,000
1203	\$930.40	\$ 400,000 to 500,000
1019	\$607.11	\$ 500,000 to 600,000
768	\$302.55	\$ 600,000 to 700,000
241	\$66.48	\$ 700,000 to 742,000
<u>4094</u>	<u>Total</u>	

In general, *most* owners who meet the prerequisites of the exemption will qualify for some relief; provided the assessed value is below the breakeven point. Many senior households with at least one eligible resident over the age of 60 will benefit. The average assessed value for such households is just \$559,100.

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Equity Issues

- The exemption does not regard income, or the ability to pay
- The exemption does not distinguish between age groups
- It does not guarantee that a senior will pay less property taxes
- The exemption does not differentiate between excess users of Town services and infrastructure

Citizen Costs

- The program does not distinguish between citizens with and without school age children. The Town will not have the ability to ensure that all seniors will benefit from the program's adoption.
- All *nonresident* home owners regardless of assessment will see tax increases.
- Approximately 7% of Residential homeowners whose property title is held in certain Trusts will pay higher taxes. All other residential properties including over 400 parcels of vacant land will not be eligible.
- Renters as a group are more likely to be in need of relief from property tax increases which would be passed on through higher rents⁵.
- Non qualifying property types will see up to a 23% increase in their tax.
- Non-qualifying owners with limited income, sudden illness, job layoffs could see this financial stressor as the breaking point for remaining in their Sudbury home
- 18% of the Class I properties may not qualify. They will pay based on the "original assessed value" (non- exempt value), at the increased tax rate. The "average assessed value" for the group is \$437,869, which will amount to an average increase of \$1,383.67 in tax dollars.
- Of the remaining 82% likely to qualify, those *above* the break-even point include some of the seniors who receive income-based exemptions and deferrals.

Redistribution of the Tax

⁵ According to United States Census Bureau data from the 2000 Census, the number of owner occupied housing units in Massachusetts exceeds the number of renter occupied housing units (1,508,248 and 935,332, respectively). However, the number of occupants below the poverty level living in rental units(186,552) far exceeds the number in owner occupied housing (54,345). To that extent that the tax burden on renters is increased by local adoption of the residential exemption. *Important to note: renters are not eligible for personal exemption relief, such as blind, veterans, etc.*

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Real estate demand, housing and location preferences continually ebb and flow. These trends are mimicked in the annual property assessments. While the voted percent may be a constant each year, its adoption cannot guarantee a reduced tax bill for properties for which the assessments have moved above the breakeven point.

Annual votes on the percentage of Exemption can fluctuate.

- Tax payers will have difficulty budgeting their property taxes
- Taxes held in escrow will see tremendous variations if the annual percent changes or assessment goes above the breakeven. Some owners may not be able to manage the mortgage swings, when the percentage or their assessment fluctuates or a future Board opts out of the program.
- Adopting the exemption can only be implemented after issuance of the preliminary tax bills. Therefore, a property owner whose tax assessment is above the breakeven point or does not qualify will see a substantially higher tax bill for the tax year that the program is voted.

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CONCLUSION

For many years Sudbury town fathers tried to reverse the affect of split tax rates between CIP and RES properties. The tax shift works best with a large CIP base because it can absorb a significant amount of the levy. Sudbury relies on a very small commercial tax base to provide tax relief to its residential sector, when the preferred outcome has been minimal, at best. With a sometimes erratic real estate market it has become even more difficult to rely on CIP to offset the residential tax burden. In recent years, Sudbury Boards of Selectmen settled for equalizing levy increases to each of the classes as a best effort to 'un-ring' the bell.

When a community does not fit the profile for the category of tax relief, the residential exemption is a blunt instrument for attaining that purpose.

As the reliance on the property tax to fund town services has grown, residents of modest means are finding it difficult to meet their tax demands and remain in Sudbury.

Options to adjust the property tax burden are limited. The state defines the ways which we may adjust the impact of the property tax, and we have implemented many of these programs.

With the challenging economy, it is not just low and moderate income seniors who are struggling with their property tax burden. There is evidence of over burdened younger property owners who purchased at the peak of the real estate boom. They too are finding it difficult. Short sales and foreclosures are occurring among the younger population and the higher end real estate market.

For generations Town Fathers have been concerned with property tax equity. There is no right answer. There is no easy solution to whether it is in Sudbury's best interest to adopt a Residential Exemption Program. It is difficult to "un-ring the bell. Therefore; a decision to adopt this exemption will have long term consequences.

APPENDIX
