

FY2023 Tax Classification Hearing City of Northampton

November 3, 2022

Marc Dautreuil II, Principal Assessor/Charlene Nardi, Finance Director

MGL C.40, s.56

(excerpts)

“The selectmen or town council of each town and the city council together with the mayor's approval in each city, which city or town has been certified by the commissioner of revenue to be assessing property at full and fair cash valuation, shall annually first determine the percentages of the local tax levy to be borne by each class of real property,”

“In determining such percentages, the selectmen, town council or the city council, together with the mayor's approval, as the case may be, shall first adopt a residential factor; provided, however, that if the mayor vetoes the city council's factor, in a city, the city council may override such veto with a vote equal to two-thirds of the members elected.”

“Said factor shall be an amount not less than the minimum residential factor determined by the commissioner of revenue in accordance with the provisions of section one A of chapter fifty-eight and shall be used by the board of assessors to determine the percentages of the local tax levy to be borne by each class of real and personal property.

“Prior to the adoption of such percentages, the selectmen, town council or the city council, as the case may be, shall conduct a public hearing on the question of their adoption. At such hearing, the board of assessors shall provide all information and data relevant to making such determination and the fiscal effect of the available alternatives.”

Tax Classification Hearing

The Classification Act passed in 1978 requires municipalities to classify real and personal property into one of four classes according to use:

Residential
Commercial
Industrial
Personal Property

Municipalities that are certified by the DOR 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.

Definitions:

Residential – Includes all property containing one or more units used for human habitation. The class includes accessory land and buildings such as swimming pools, tennis courts, garages and sheds. Single-family homes are in this class, as are large apartment buildings.

Commercial – Includes any property held for the purpose of conducting a business, such as stores, office buildings, hotels, and all vacant land classified as forestland (Chapter 61), farmland (Chapter 61A) and recreational land (Chapter 61B).

Industrial Properties - Includes any property involved in manufacturing, processing or extraction. It includes utility real property used for storage and generation purposes.

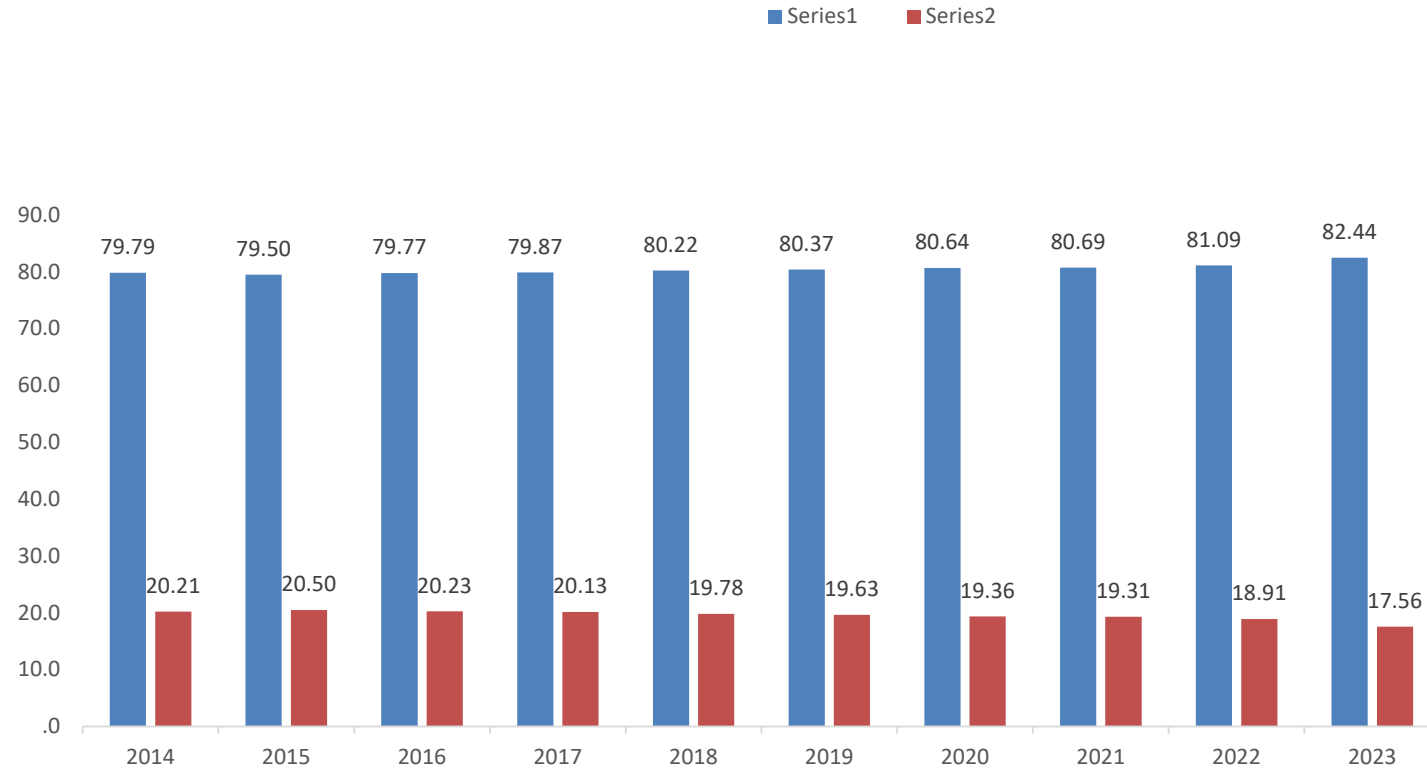
Personal Property – Contains all taxable personal property of individuals, partnerships, associations and certain corporations. A large portion of this class is owned by public utilities.

Distribution by Property Classification

Residential as % of Total Levy

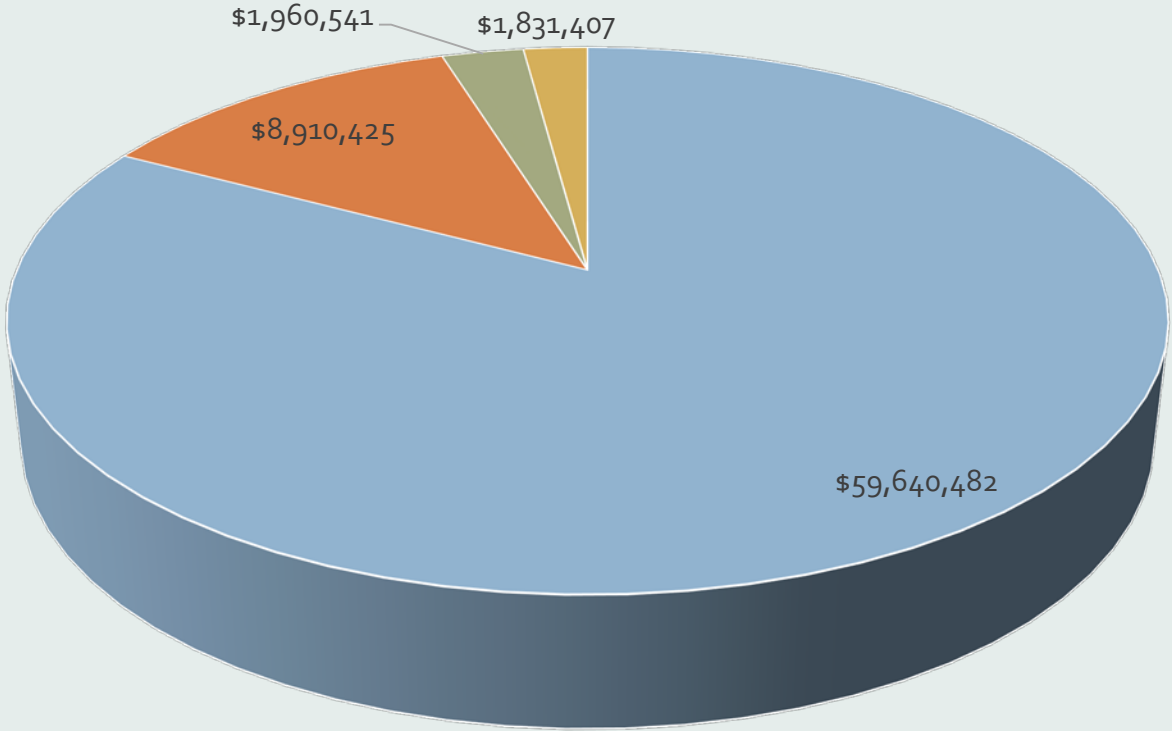
Commercial/Industrial/Personal Property as % of Total Levy

City of Northampton - Distribution by Property Classification
FY2014 - FY2023



FY2023 Distribution by Property Classification

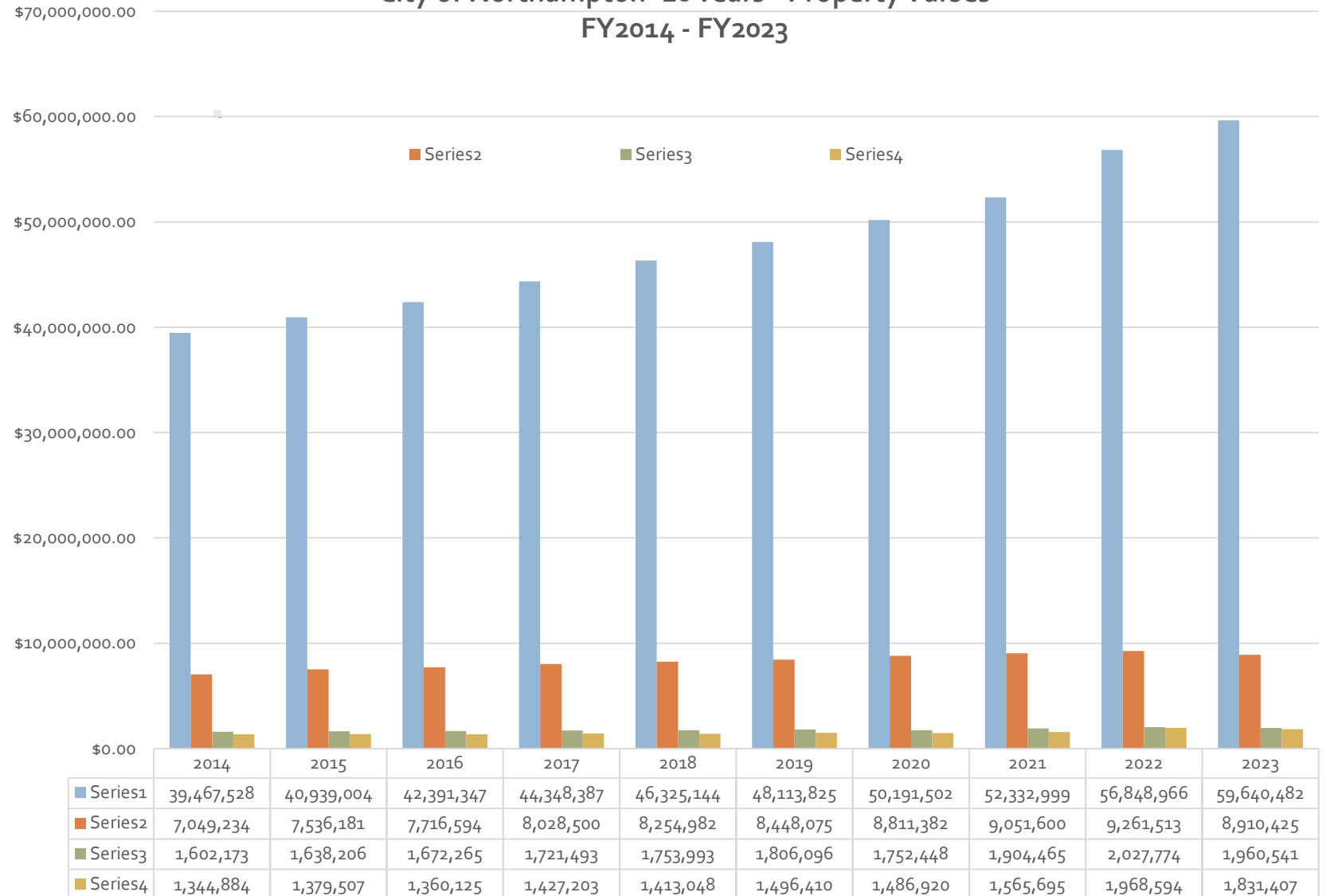
City of Northampton - Distribution by Property Classification
Total Levy \$72,342,854 FY2023



■ Residential Levy ■ Commercial Levy ■ Industrial Levy ■ Personal Property Levy

Northampton Property Values

City of Northampton -10 Years - Property Values
FY2014 - FY2023



Definition of New Growth

The additional tax revenue generated by new construction, renovations and other growth in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations.

New growth for FY2023 is based on new construction, renovations and additions that occurred between July 1, 2021 to July 1, 2022.

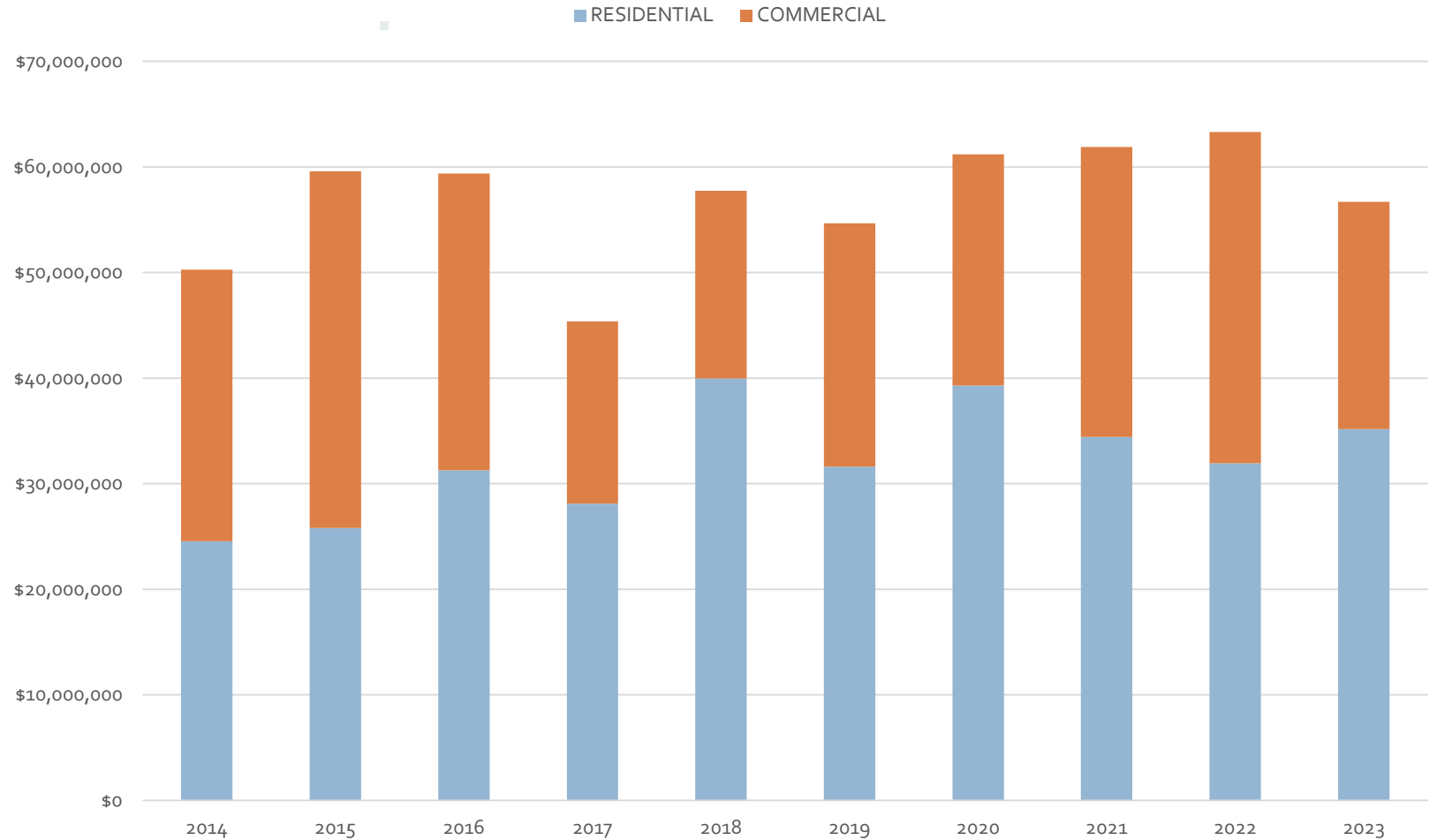
New Growth Value by Classification

Residential: \$35,184,000

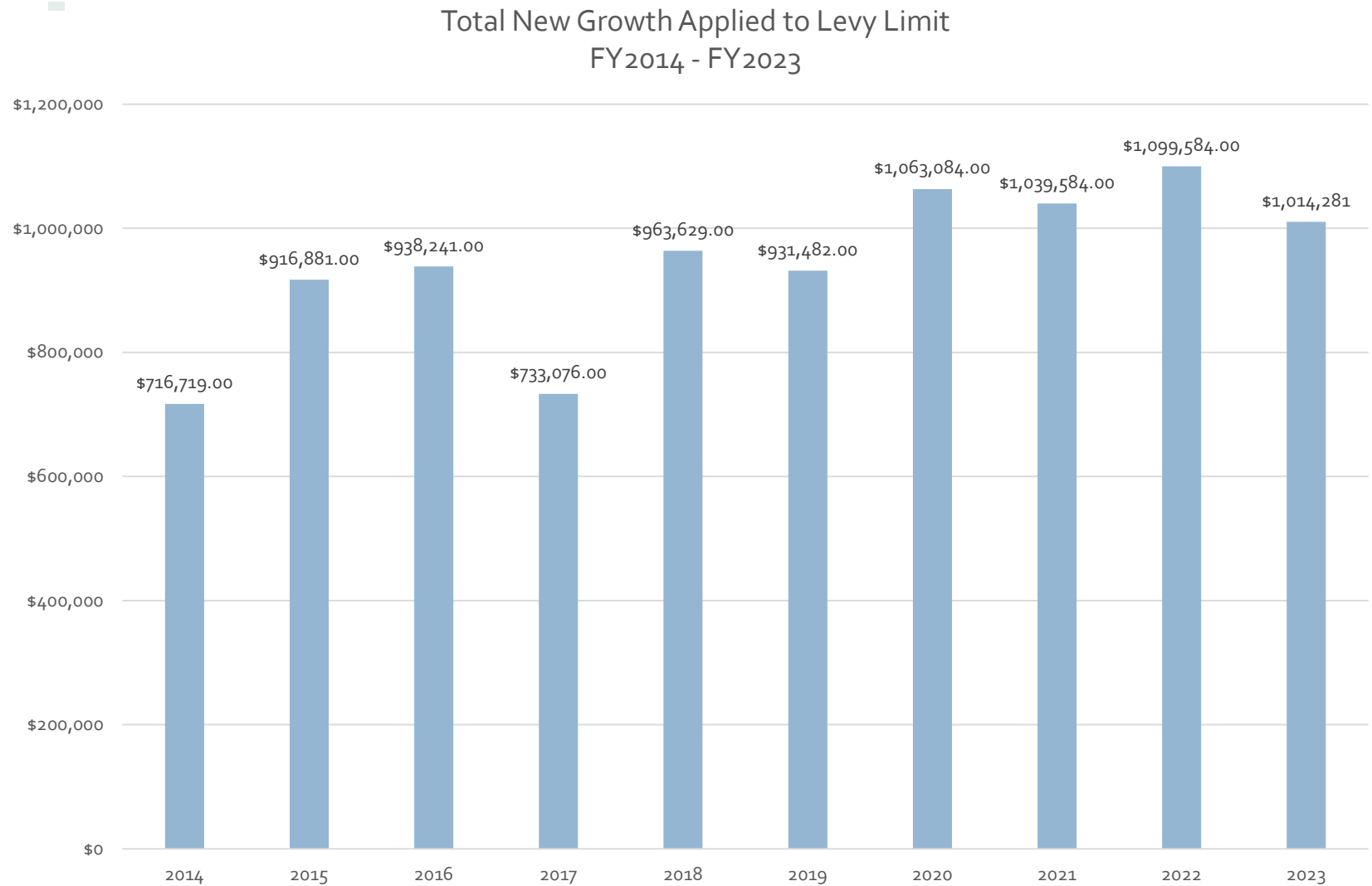
Commercial: \$21,511,413

Total Growth: \$56,695,413

New Growth Value by Classification
FY2014 - FY2023



Tax Revenue Generated by New Growth



Major Construction Projects that contributed to New Growth for FY2023

Value added between 7/1/2021 to 7/1/2022 on selected large projects:

- Emerson Way Development– 11 New Homes – value added = \$4,229,200
- Village Hill Residential – 5 Homes, 5 condos and a 53 unit affordable apartment complex– value added = \$4,220,200
- 10 Hawley St– Condominiums– value added = \$7,435,000
- 87 & 89 Bridge St– 3 Condos– value added = \$2,070,000
- 31 Additional Single Family Homes-value added= \$9,791,100
- New Business Accounts-value added=\$3,168,560

NORTHAMPTON - 214 2023

Jurisdiction Fiscal Year

I. TO CALCULATE THE FY 2022 LEVY LIMIT

A. FY 2021 Levy Limit	66,730,590	
A1. Amended FY 2021 Growth	9,975	
B. ADD (IA + IA1)*2.5%	1,668,514	
C. ADD FY 2022 New Growth	1,099,854	
C1. ADD FY2022 New Growth Adjustment	0	
D. ADD FY 2022 Override	0	
E. FY 2022 Subtotal	69,508,933	
F. FY 2022 Levy Ceiling	97,969,322	I. 69,508,933

FY 2022 Levy Limit

II. TO CALCULATE THE FY 2023 LEVY LIMIT

A. FY 2022 Levy Limit from I.	69,508,933	
A1. Amended FY 2022 Growth	0	
B. ADD (IIA + IIA1)*2.5%	1,737,723	
C. ADD FY 2023 New Growth	1,014,281	
C1. ADD FY 2023 New Growth Adjustment	0	
D. ADD FY 2023 Override	0	
E. ADD FY 2023 Subtotal	72,260,937	
F. FY 2023 Levy Ceiling	114,177,485	II. 72,260,937

FY 2023 Levy Limit

III. TO CALCULATE THE FY 2023 MAXIMUM ALLOWABLE LEVY

A. FY 2023 Levy Limit from II.	72,260,937
B. FY 2023 Debt Exclusion(s)	585,396
C. FY 2023 Capital Expenditure Exclusion(s)	0
D. FY 2023 Stabilization Fund Override	0
E. FY 2023 Other Adjustment	<input type="text" value="0"/>
F. FY 2023 Water/Sewer	<input type="text" value="0"/>
G. FY 2023 Maximum Allowable Levy	\$ 72,846,333

The Levy Limit for Northampton for FY2023 is \$72,846,333.

The Actual Levy for FY2023 will be \$72,342,854.

Debt Exclusions \$585,396:
(represents \$.128 on tax rate)

Police Station – last debt service payment is in FY2032

Single Versus Split Tax Rate: This is what this hearing is about.....

Note: The total amount that can be raised in taxes stays the same, whether there is a single or split tax rate. A split tax rate does not raise more revenue, it simply shifts the tax burden among the taxpayers.

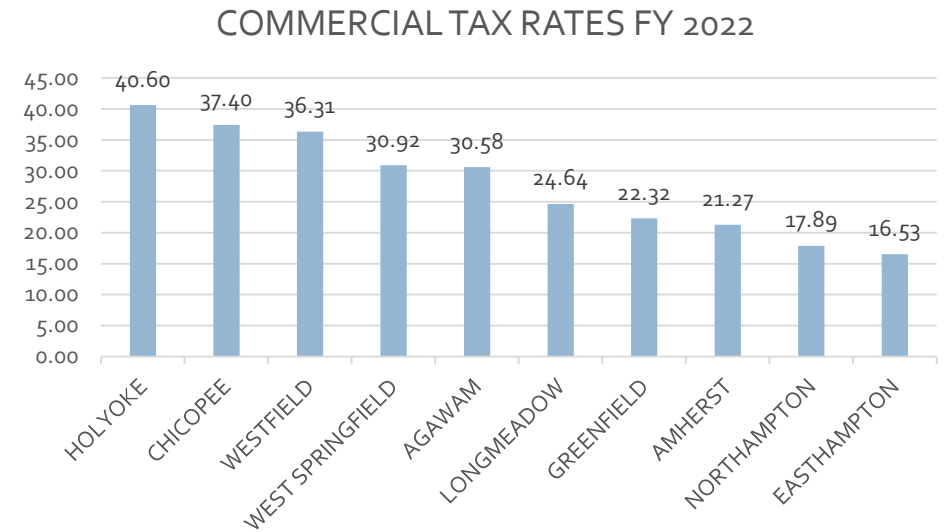
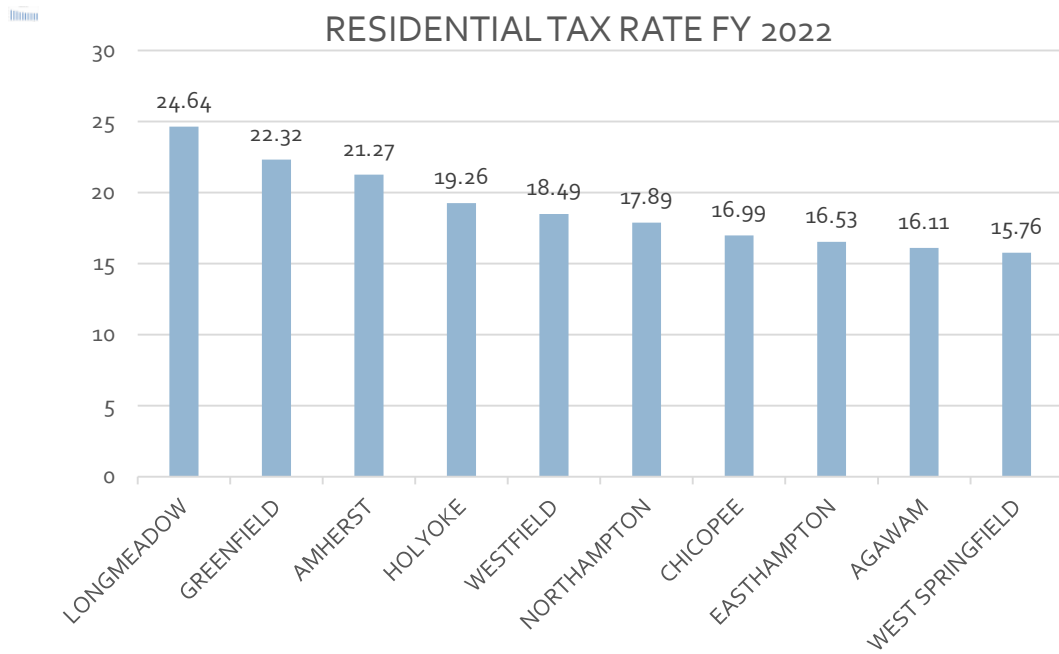
- FACTOR OF 1.00: Selection of a single tax rate means that all four property classes will pay the same tax rate. ***This is the recommendation of the Principal Assessor and the Mayor.***
- FACTOR OF LESS THAN 1.00: The law allows the option to shift the tax burden among the classes by reducing the share of the tax levy paid by the residential property owners and shifting/increasing those taxes on commercial, industrial and personal property taxpayers through the adoption of a residential factor of less than 1.00.
- FACTOR OF GREATER THAN 1.00: Conversely, a factor greater than 1.00 may be adopted, which would have the opposite effect, reducing the share of the tax levy paid by commercial, industrial and personal property taxpayers and shifting/increasing those taxes on residential property owners.

Single Tax Rate:

The factor of 1.00 will result in an estimated FY2023 tax rate of \$15.84 per \$1000 for all property classifications, which is a decrease of (\$2.05) or a 13% decrease.

- For comparison purposes, this is where Northampton's FY22 residential rate ranked with our neighboring communities' FY22 rates.

- For comparison purposes, this is where Northampton's FY22 commercial/industrial rate ranked with our neighboring communities' FY22 rates.



Split Tax Rate:

The Minimum Residential Factor (MRF) is 89.3509 for FY2022. This is the maximum allowable shift determined by the DOR. This would result in a split tax rate of \$14.62 for Residential and \$26.12 for Commercial/Industrial and Personal Property.

- Residential Impact

Average Single Family Home Value: \$424,527
Single Tax Rate: $\$424,527 / \$1000 \times \$15.84 = \$6,725$
Split Tax Rate: $\$424,527 / \$1000 \times \$14.62 = \$6,207$
Decrease of \$518

- Commercial and Industrial Impact

Average Commercial Value: \$657,163
Single Tax Rate: $\$657,163 / \$1000 \times \$15.84 = \$10,409$
Split Tax Rate: $\$657,163 / \$1000 \times \$26.12 = \$17,165$
Increase of \$6,756

Average Industrial Value: \$825,143
Single Tax Rate: $\$825,143 / \$1000 \times \$15.84 = \$13,070$
Split Tax Rate: $\$825,143 / \$1000 \times \$26.12 = \$21,553$
Increase of \$8,483

Single versus Split Tax Rate:

- 240 Massachusetts Communities had a single tax rate in FY2022
- 107 Massachusetts communities had a split tax rate in FY2022 with shifts ranging from \$0.25 to \$22.89 above the residential rate (favoring lower tax rates for residential property and higher tax rates for businesses)
- 7 Massachusetts communities had split tax rate in FY2022 with shifts ranging from \$0.03 to \$0.84 below the residential rate (favoring lower tax rates for businesses, and higher tax rates for residential property)

Typically a split tax rate might be considered when:

- the percentage of residential property to commercial/industrial/personal property is at least at 70%-30%
- the major taxpaying businesses are difficult to move such as a power plant or a shopping mall

It can be difficult for a community to revert back to a single tax rate after splitting the tax rate, as it often results in a substantial tax increase for residential properties

***The Mayor and the Principal Assessor
recommend a Factor of 1.00 – A Single Tax Rate***

SUMMARY:
 Principal Assessor
 and Mayor
 recommend City
 Council approve a
 residential factor of
 1.00 for FY2023
 which results in a
 single tax rate of
 \$15.84/\$1000
 valuation

Recommended Residential Factor of "1" for FY2023

Class	Percentage	Total Valuation	Tax Rate per \$1000 Valuation	Levy by Class
Residential	82.44	\$ 3,765,181,941	\$ 15.84	\$ 59,640,482
Commercial	12.32	\$ 562,526,846	\$ 15.84	\$ 8,910,425
Industrial	2.71	\$ 123,771,498	\$ 15.84	\$ 1,960,541
Personal Property	2.53	\$ 115,619,100	\$ 15.84	\$ 1,831,406
	100.00	\$ 4,567,099,385		\$ 72,342,854