

TOWN OF HOPKINTON
BOARD OF ASSESSORS

December 2, 2014

To the Board of Selectmen and the Citizens of Hopkinton:

The Board of Assessors appear before the Selectmen this evening to present information to aid the Selectmen in making decisions regarding property tax options. These decisions are:

1. Selection of a “Residential Factor” – whether to shift the property tax burden from the Residential and Open Space classes to the Commercial, Industrial, and Personal Property Classes, and if so by how much.
2. Whether to grant an Open Space Discount.
3. Whether to grant a Residential Exemption.
4. Whether to grant a Small Commercial exemption.

These decisions are further described in a sheet attached to this letter, which is provided by the Massachusetts Department of Revenue.

The total taxable value of the Town is \$3,002,298,300, of which 83% is residential and 17% is commercial, industrial, and personal property. The average single family residential property assessment is \$494,685, compared with \$488,996 last year. The Condominium sector has been very active resulting in 616 units compared with 555 units last year, and an average assessment this year of \$274,006 compared with \$247,060 last year. New Growth tax revenue for Fiscal Year 2015 is very strong, at \$1,749,540, \$492,888 higher than Fiscal Year 2014.

The property tax levy provides 72% of the revenues required to fund Hopkinton’s government and services.

Should the Town continue its practice of maintaining a single tax rate, taxpayers can expect to see an average increase of 2 % in their Fiscal Year 2015 property tax bills. If home improvements were made, a related valuation increase for those improvements may further increase the tax bill.

Of interest is information contained on attached sheets. The five year history relates the percentage valuation growth in the different classes of property. The greatest growth was in the Commercial class at 34%, followed by Personal Property at 16%, Residential at 10%, and Industrial at 3%.

For our purposes tonight , the most meaningful sheet is the relative tax effects of various split tax rates. Because the Residential – CIP ratio is 83/17, the various split examples demonstrate that any percentage shift amount to the CIP category results in considerable greater cost to the CIP properties than savings to the Residential properties. For example a 10% Shift results in a 10% increase in CIP taxes, but only a 2% savings in Residential taxes.

I hope that this information has been helpful. All members of the Board of Assessors are present. I invite all the members of the Board to feel free to respond to any questions you might have.

Respectfully submitted,

Hopkinton Board of Assessors

John H. Duffy, Chairman

John Palmer, Clerk

Mary Jo LaFreniere

ANNUAL PUBLIC HEARING ON CLASSIFICATION

Decisions To Be Made:

RESIDENTIAL FACTOR

Not Below MRF or 65%FFCV (Ch200: 50%)

Burden shifts from R & O to CIP Classes

OPEN SPACE DISCOUNT

Upto 25% of Residential Factor

RESIDENTIAL EXEMPTION

Upto 20% of Average of all Residential Value
to all eligible properties
eligibility –owner's primary residence

Burden shifts within Residential Class

SMALL COMMERCIAL EXEMPTION

Upto 10% of Assessed Value of eligible properties
eligibility – occupied by business(es) on DET list
or qualified by assessors
value less than \$1 million

Burden shifts within Commercial & Industrial Classes

An Open Space Discount, a Residential Exemption and a Small Commercial Exemption may also be chosen by communities. The choice of either or both of these first two affects the tax rate of Residential property, whether a community chooses to shift more to the CIP classes or not. The third option affects the tax rate of the commercial and industrial classes. The alternatives are considered and voted on annually by the Board of Selectmen or the City Council and Mayor.

Open Space is defined as land maintained in an open or natural condition which contributes significantly to the benefit and enjoyment of the public. The classification may not include land taxable under the provisions of Ch. 6I, Ch. 61A, Ch. 61B, under a permanent conservation restriction, or held for the production of income. Assessors determine other criteria for the Open Space classification. The Open Space Discount is **upto 25%** of the residential factor.

A Residential Exemption would be applied to every residential property which is the principal residence of a taxpayer. The Residential Exemption does not apply to accessory land incidental to a residential use, summer homes or to residential property not occupied by its owner. In addition, the exemption may not reduce the taxable value of the property to less than ten percent of its full and fair cash value except with Clause 18. If adopted, the Residential Exemption may be **upto 20%** of the average assessed value of all Residential parcels. The dollar value of the exemption is subtracted from the assessed value of every eligible property.

A Small Commercial Exemption may be applied to certain commercial properties. If adopted, upto 10% of the assessed value of the eligible parcel would be exempt. Eligibility requirements are: 1) assessment less than one million dollars, 2) occupied by a business which has been certified by the Department of Employment & Training or by the Assessors as having no more than an average of ten employees in the previous year.

Tax Classification Summary

Tax classification allows communities to have different tax rates for different classes of property, and allows the Board of Selectmen to make the decision as to whether or not to shift the tax burden from one class of property to another. The statute provides a maximum allowable portion of the tax levy (up to 175%) to be borne by the commercial, industrial, and personal property classes (CIP), and a minimum allowable portion to be borne by the residential class. In Hopkinton, the residential class makes up 83% of the taxable valuation. Since Fiscal Year 2000, the Selectmen have elected to maintain a single tax rate.

Classification also allows the Board of Selectmen to grant an exemption of up to 20% of the average residential value on all property categorized as the principal residence of the owner. Communities taking advantage of this exemption would typically be those with numerous summer homes and/or apartments, as it allows the Selectmen to shift more of the tax burden off the year round residents. The residential tax rate would be higher, as the residential properties still need to contribute the residential share of the levy. The taxpayers who would realize any substantial benefit would be those with very low assessments. Currently, of the 351 cities and towns, only 13 have a residential exemption.

The final option is the small commercial exemption. This option allows the Board of Selectmen to exempt up to 10% of the value of commercial parcels which are assessed at less than \$1 million and are occupied by businesses with less than ten (10) employees. As with the residential exemption, the small commercial exemption is a reduction in the taxable valuation of the property which is applied by the Assessors prior to setting the tax rate. If adopted, it has the effect of reducing property taxes on some commercial properties and shifting those taxes onto all other commercial/industrial properties.

MISCELLANEOUS STATS AND OBSERVATIONS

Percentage Growth in Property Values by Class

Fiscal Year 2011 – Fiscal Year 2015

Residential	10%
Commercial	34%
Industrial	3%
Personal Property	16%

Residential percentage of total Town valuation has remained stable at 83%.

The largest increase in class valuation in the past year was Residential at 4.7%.

In the Single Family category of Residential the New Growth valuation was \$18,163,500 resulting from issuance of 414 building permits. This included 27 permits for new houses and 31 permits for solar panels. The balance of the permits were for miscellaneous home improvements.

The Commercial class has been very strong. This should continue as planned and presented building projects are completed.

TOP FIVE TAXPAYERS

PROPERTY VALUATIONS

TAXPAYER	FY2015 VALUATION
EMC Corporation	\$139,419,200
Hopkinton LNG	\$ 61,836,568
Legacy Farms Apartments	\$ 41,682,100
NSTAR Electric	\$ 33,450,730
Verizon New England	\$ 12,690,700

Options Chart

Effects of Shifting Tax Rate

