



TOWN OF LITTLETON  
**BOARD OF ASSESSORS**  
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To: Board of Selectmen

From: Board of Assessors  
Kenneth Mildren, Chief Assessor

Cc: Keith Bergman, Town Administrator  
Bonnie Holston, Assistant Town Administrator, Finance & Budget  
Director

Re: Property Classification Hearing for FY2010

The purpose of the public classification hearing is for the Board of Selectmen to determine the allocation of the local property tax to be borne by the four classes of real property plus personal property for Fiscal Year 2010 (FY 2010). In deciding the allocation, the Selectmen must adopt a residential factor, which is used to determine the percentage of the tax levy to apply to each class of real and personal property. As Littleton has no property classified as Open Space, this process provides the Selectmen with the opportunity to shift the tax burden between the residential and commercial classes. The Board of Assessors applies these percentages to the individual property class (M.G.L. Chapter 40, section 56).

<http://www.mass.gov/Ador/docs/dls/mdmstuf/LocalOptions/OpenSpaceDiscount.xls>

It is the responsibility of the Assessors to provide the Selectmen with all relevant information, and to discuss the fiscal effect of possible alternatives. The Board of Assessors does not make recommendations regarding the classification. It is the feeling of the Board of Assessors that the ramifications of shifting the tax burden may impact other policies implemented by the Board of Selectmen and that these policy decisions are solely within the purview of the Board of Selectmen.

During the hearing the Board of Selectmen must vote on three issues:

1. To establish the residential tax factor of \_\_\_\_\_.

If the town were to move to a single tax rate for all classes, the tax factor would be 1. A factor of other than 1 will result in a shift of the tax burden from the Residential Class to the CIP Classes. The maximum shift would result in a factor of .8727. Therefore, the factor selected must fall between .8727 and 1.

*I move that the Board of Selectmen vote to establish the residential tax factor of XXXXXXXX*

2. Vote to adopt/not adopt a residential exemption.

<http://www.mass.gov/Ador/docs/dls/mdmstuf/LocalOptions/ResidentialExemption.xls>

This mechanism provides for the redistribution of the tax levy among residential property owners, solely within the Residential Class. It involves the following steps:

- . Subtracting a standard dollar amount (a percentage of the average Residential Class) from every qualifying owner-occupied residential parcel;
- . Recalculating the Class 1 tax rate based on the new total of the Class 1 taxable value. The Class 1 tax levy must remain unchanged before and after this calculation.

This has the net result of shifting taxes from Residential parcels that are below the average value to parcels within the Class that are above the average. It also, however, results in substantially higher taxes on apartment and multi-family parcels that are not owner occupied, on vacant land parcels in the Class, and on any other residential property which is not owner occupied (including, in many instances, properties that are owned by a trust).

Only twelve cities and towns in the Commonwealth use the residential exemption. Two communities joined in FY2006, Everett and Barnstable. Everett withdrew participation for FY2007. Otherwise, this list hadn't changed in many years. In larger, metropolitan communities, the large apartment population funds the exemption (Boston, Brookline, Cambridge, Chelsea, Marlborough, Somerville, Waltham, Watertown); in

resort communities, the second home population funds the exemption (Barnstable, Nantucket, Tisbury); and in one community, the power plant funds half of the total levy (Somerset). All twelve communities also use the CIP tax shift essentially to the fullest degree they can, which means the commercial, industrial, personal property classes are also helping to reduce the Residential Class tax commitment.

In the past, the Selectmen have voted to not adopt a Residential Exemption.

*I move that the Board of Selectmen vote not to adopt a residential exemption.*

3. Vote to adopt/not adopt a Small Commercial Exemption.

<http://www.mass.gov/Ador/docs/dls/mdmstuf/LocalOptions/SmallCommercialExempt.xls>

Under M.G.L. Chapter 59, Section 5I, the Board of Selectmen may decide annually to exempt up to ten percent of the value of Commercial Class parcels that are occupied by businesses with an average annual employment of no more than ten people. The building value must have a valuation of less than \$1,000,000 and the property must be occupied by the eligible businesses as of the January 1 assessment date. The property need not be owned by the eligible business. If multiple commercial occupants occupy the building, all occupants must be eligible. The small commercial exemption is a reduction in the taxable valuation of the property applied by the assessors before setting the tax rate. If adopted, it has the effect of reducing property taxes on certain commercial properties occupied by small businesses and shifting those taxes onto other commercial and industrial properties, many of which are likely also occupied by small businesses as either owners or leaseholders.

In the past, the Board of Selectmen has voted to not adopt a Small Commercial Exemption.

*I move that the Board of Selectmen vote not to adopt a Small Commercial Exemption.*

4. To identify \$10,000\* \_\_\_\_\_ in unused property tax levy capacity.

\* Approximate excess levy capacity, actual will be announced at the hearing.