

**Town of Middleton  
Property Tax Classification Hearing  
Presentation and Information  
Fiscal Year 2022**



**Tuesday November 30, 2021**

**Prepared by the Board of Assessors**

**Deborah J. Carbone M.A.A. – Chair  
Toula Guarino M.A.A. - Clerk  
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**Bradford W. Swanson M.A.A.  
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Administrative Assessor**

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P/T Assessing Clerk/Data Collector**

**This information is intended to provide the Board of Selectmen with the necessary information to conduct a Public Hearing on the tax classification options available under the Massachusetts General Laws.**

**During the Commonwealth mandated Classification Hearing, the Board of Selectmen must vote on the following in order to establish a tax rate:**

- 1. Open Space Discount**
- 2. Residential Exemption**
- 3. Small Commercial Exemption**
- 4. Classification (shift of tax rate)**

## **1. OPEN SPACE DISCOUNT:**

**Open space is land maintained in an open or natural condition which contributes significantly to the benefit and enjoyment of the public and which is not:**

- **subject to a permanent conservation restriction;**
- **held for the production of income;**
- **taxable under the provisions of:**
  - **Chapter 61 (forestry)**
  - **Chapter 61A (agricultural land)**
  - **Chapter 61B (recreation land)**

**The Board of Selectmen may discount up to 25% of the Open Space share of taxes.**

**Of the 351 municipalities in Massachusetts, 19 classify property as Open Space (2 with a discount).**

Ashland	Erving	New Ashford	South Hadley
Bedford	Falmouth	Newburyport	Sturbridge
Berlin	Leominster	Norfolk	Whately
Beverly	Mashpee	Paxton	Winthrop
Dennis	Nantucket	Rowley	

**The Board of Assessors has determined that Middleton does not have any Open Space land. Most large parcels are in a Chapter program.**

## **2. RESIDENTIAL EXEMPTION:**

**The Board of Selectmen may adopt an exemption of up to 35% to shift the Residential Class tax burden from lower assessed properties that are the principal residence of a taxpayer to higher assessed properties and properties that are not the principal residence of a taxpayer.**

RESIDENTIAL CLASS VALUE	\$	2,005,418,967
PARCELS		3,379
AVERAGE	\$	593,495
EXEMPTION %		20%
EXEMPT VALUE/PARCEL	\$	118,699
PARCELS		3,379
TOTAL EXMPT VALUE	\$	(401,083,793)
NEW RESDTL VALUE	\$	1,604,335,174
RESIDENTIAL TAXES	\$	26,611,910
NEW RESDTL TAX RATE	\$	16.59

### **EXAMPLES**

ASSESSED VALUE	\$	443,495	\$	593,495	\$	743,495
TAX RATE W/O EXEMPTION	\$	13.27	\$	13.27	\$	13.27
TAXES PAID	\$	5,885.18	\$	7,875.68	\$	9,866.18
SAVINGS/COSTS	\$	(497.62)	\$	-	\$	497.63
TAXES PAID	\$	5,387.55	\$	7,875.68	\$	10,363.80
TAX RATE W/O EXEMPTION	\$	16.59	\$	16.59	\$	16.59
NEW ASSESSED VALUE	\$	324,796	\$	474,796	\$	624,796
EXEMPT VALUE/PARCEL	\$	(118,699)	\$	(118,699)	\$	(118,699)
ASSESSED VALUE	\$	443,495	\$	593,495	\$	743,495

**The following eleven municipalities allow a residential exemption. Note that these communities are large cities or oceanfront communities with large rental or second homes.**

<b>Municipality</b>	<b>Percent Granted</b>	<b>Municipality</b>	<b>Percent Granted</b>
BOSTON	30.00%	SOMERSET	10.00%
BROOKLINE	20.00%	SOMERVILLE	30.00%
CAMBRIDGE	30.00%	TISBURY	20.00%
CHELSEA	20.00%	WALTHAM	20.00%
MARLBOROUGH	13.00%	WATERTOWN	20.00%
NANTUCKET	20.00%		

4 *\*Tax rate used is not final. It is a rough estimate for Classification purposes only.*

### **3. SMALL COMMERCIAL EXEMPTION:**

**The Board of Selectmen may adopt an exemption of up to 10% to shift the Commercial Class tax burden from eligible parcels to ineligible parcels. Eligible parcels must have:**

- 1. Be Class Three, Commercial, property.**
- 2. Be occupied solely by businesses with an average annual employment of 10 or under at all locations during the prior calendar year. (Assessors may determine annual employment for a sole proprietorship or partnership. For all other businesses, they must rely solely on the determination of the Director of Labor and Workplace Development.)**
- 3. Have an assessed valuation of \$1,000,000 or less before the application of the exemption.**

**The following communities have adopted the exemption:**

**Avon Bellingham Braintree Somerset Westford**

**The mechanics of the Small Commercial Exemption are similar to the Residential Exemption.**

**An annual application process is required confirming payroll information**

#### **4. CLASSIFICATION:**

**An amendment to the Massachusetts Constitution endorsed by the electorate in 1978 resulted in the Classification Act. This Act requires municipalities to classify real property into one of four classes, according to use: residential, open space, commercial and industrial.**

**Cities and towns that are certified as assessing property at 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 different rates does not change the total property tax levy; rather it determines the share of the total levy to be borne by each class.**

**The share of the levy raised by the commercial and industrial classes and personal property may be increased 50% as long as the residential and open space classes raise at least 65% of what they would have raised without the shift.**

**Of 351 municipalities in the Commonwealth, 108 (30.7%) shift the tax rate.**

**Of the 108, 66 (61.1%) shift over 1.50. In Essex County, the following communities shift their rate:**

<b>MUNICIPALITY</b>	<b>SHIFT %</b>	<b>MUNICIPALITY</b>	<b>SHIFT %</b>
<b>Gloucester</b>	<b>1.0298</b>	<b>Beverly</b>	<b>1.7354</b>
<b>North Andover</b>	<b>1.3000</b>	<b>Lawrence</b>	<b>1.7500</b>
<b>Lynnfield</b>	<b>1.3699</b>	<b>Methuen</b>	<b>1.7500</b>
<b>Danvers</b>	<b>1.4071</b>	<b>Peabody</b>	<b>1.7500</b>
<b>Andover</b>	<b>1.5900</b>	<b>Saugus</b>	<b>1.7500</b>
<b>Salem</b>	<b>1.7000</b>	<b>Lynn</b>	<b>1.7500</b>
<b>Swampscott</b>	<b>1.7000</b>		

**Please note that most of these communities are larger cities or towns and only four shift under 1.50.**

**The "Minimum Residential Factor" or MRF established by the Commissioner of Revenue is used to make certain that the shift of the tax burden complies with the Classification Act. If the minimum residential factor would be less than .650000, the community cannot make the maximum shift and must use a CIP factor less than 1.50.**

**In Middleton, The Select Board may shift the Town's tax burden from the Residential Class to the Commercial, Industrial and Personal Property Classes as long as the shift does not exceed the Minimum Residential Factor (MRF). Middleton's Minimum Residential Factor is 88.83 %.**

**The following pages contain information on the development of the Minimum Residential Factor (MRF) and on the impact of any shift of the tax rate:**



**SHIFTING THE TAX RATE**

**Fiscal Year 2022**

I. CALCULATION OF THE MINIMUM RESIDENTIAL FACTOR - 150% Shift (formerly shown on the LA-7)

The Minimum Residential Factor is used to make sure the shift of the tax burden complies with the law (M.G.L. c. 58, § 1A). Residential and Open Space taxpayers must pay at least 65% of their full and fair cash value share of the levy. Commercial/Industrial/Personal Property taxpayers cannot pay more than 150% of their full and fair cash value share of the levy. If the calculated Minimum Residential Factor is less than 65%, a community cannot make the maximum shift and must use a Commercial/Industrial/Personal Property factor less than 150%.

A Class	B Full and Fair Cash Valuation	C Percentage Share	D Combined Res/OS, CIP
1. Residential	2,005,418,967	81.7478%	81.7478%
2. Open Space	0	0.0000%	
3. Commercial	259,982,282	10.5978%	18.2522%
4. Industrial	132,929,800	5.4187%	
5. Personal Property	54,846,730	2.2357%	
<b>TOTALS</b>	<b>2,453,177,779</b>	<b>100.0000%</b>	

The "Percentage Share" is based on the "Full and Fair Cash Valuation" of each class, which is affected by the level of assessment for each class. The level of assessment can range between 90% and 110%. This alone can cause a shift if the level of assessment for Residential and Open Space is different than the level of assessment for Commercial, Industrial and Personal Property.

**Maximum Share of Levy for Commercial/Industrial/Personal Property: 150% \* 18.2522% (Lines 3C + 4C + 5C) = 27.3783% (Max % Share)**

This calculation shows the maximum % share of the levy allowed for the full and fair cash value of the combined Commercial, Industrial and Personal Property classes (150% of the combined shares.) NOTE: Shift impact is reduced as the Max % Share decreases.

**Minimum Share of Levy for Residential and Open Space: 100% - 27.3783% (Max % Share) = 72.6217% (Min % Share)**

This calculation shows the minimum % share of the levy allowed for the full and fair cash value of the combined Residential and Open Space Property classes. This is computed by subtracting the Maximum Share for Industrial/Commercial/Personal Property from 100%.

**Minimum Residential Factor (MRF): 72.6217% (Min % Share) / 81.7478% (Lines 1C + 2C) = 88.8363% (Minimum Residential Factor)**

This calculates the Minimum Residential Factor: divide the minimum % share for Residential and Open Space by the actual % share for Residential and Open Space.

**MINIMUM RESIDENTIAL FACTOR: 88.8363% Chapter 58, Section 1A mandates a minimum residential factor of not less than 65 percent**

When the Minimum Residential Factor is multiplied by % share of the Residential and Open space full and fair cash value, it reduces the Residential and Open Space share to its Minimum % Share of the Levy as calculated above.

**SHIFTING THE TAX RATE**  
**Fiscal Year 2022**

II. CALCULATION OF THE LOWEST POSSIBLE RESIDENTIAL FACTOR - 175% Shift (Chapter 200)

Chapter 200 of the Acts of 1988 amended M.G.L. c. 58, § 1A to allow cities and towns to give Residential and Open Space property taxpayers greater tax relief by adopting a shift of the property tax burden from Residential and Open Space taxpayers to the Commercial, Industrial and Personal Property taxpayers, provided certain parameters are not exceeded. Chapter 200 allows a shift of up to 75% (also known as a 175% shift) and lowers the percentage that Residential and Open Space taxpayers must raise to 50%. By expanding the shift, the tax levy on Commercial, Industrial and Personal Property taxpayers increases and the tax Levy on Residential and Open Space taxpayers decreases.

The first Section (Steps 1, 2 & 3) determines whether Residential taxpayers would raise a greater percentage of the property tax levy this fiscal year than they raised last fiscal year, if the town voted the existing law's maximum shift of 150% onto Commercial/Industrial/Personal Property taxpayers.

- 1. Last year's chosen RESIDENTIAL percentage\* ( Residential only, does not include Open Space)** 81.6959%  
This is last year's chosen residential percentage (RES%), not including Open Space, from form LA-5 (under the "SHIFT PERENTS" section). (Note: The residential share in the fiscal year prior to a community's first property value certification may be used if the assessors can document that it was lower than the prior year's LA5 RES%.)
- 2. This year's Minimum Residential Factor using a 150% shift to CIP (from LA-7).** 88.8363%  
This is the "Minimum Residential Factor (MRF)" calculation in Section I above.
- 3. Minimum residential share (R) in current year using 150% Shift to CIP.** 72.6217%  
This is the "Minimum Share of Levy for Residential and Open Space" calculation in Section I above.

**If #1 is greater than #3, STOP!**

You may shift only up to 150% to Commercial/Industrial/Personal Property, and line #2 remains your Minimum Residential Factor. You must stop here, because continuing would cause the Residential taxpayers to pay more this year than they did last year.

**If #3 is greater than #1, go on.,** continue the shift calculations. Steps 7, 8 and 9 determine whether or not Residential & Open Space taxpayers would raise a smaller percentage of the property tax levy this fiscal year than they have ever raised since the community's first certification of values, assuming the town voted a 175% shift onto Commercial/Industrial/Personal Property taxpayers as allowed by Chapter 200.

- 4. Calculate a Residential Factor using a 175% shift to CIP.** \_\_\_\_\_  
This Residential Factor is the result of repeating the calculations in Steps 1 through 3 above using a shift of 175% instead of 150%.

- 5. Multiply this new Residential Factor by this year's residential percentage.** \_\_\_\_\_  
This calculation multiplies the factor in step 4 above by the combined Residential/Open Space % Share from the grid at the top.

- 6. What is the Lowest Historical Residential Percentage since the first certification.** \_\_\_\_\_  
This is the "Historic Low %" shown on the LA-5 Options & Certification form.

**If #5 is greater than #6, STOP!**

You may shift up to 175% to the Commercial/Industrial/Personal Property taxpayers and step 4 is the Lowest Residential Factor.

**If #6 is greater than #5, go on.**

This section determines the maximum shift allowed by law, and the lowest residential factor allowable to achieve the maximum shift. These calculations will not appear if the 175% shift is not allowed according to the calculations above (If #5 is greater than #6).

- 7A. Take the lowest historical residential percentage (6 above).** \_\_\_\_\_  
The residential share in the year before first certification may be used if assessors document it was lower.

- 7B. Divide 7A by the current combined residential/open space percentage share (Residential & Open Space % from the grid above).** \_\_\_\_\_

- 7C. The result is the lowest residential factor allowable (it may not be less than 50%).** \_\_\_\_\_

- 8A. Multiply the factor from 7C by the Percent Share of the Residential & Open Space classes (from the grid above.)** \_\_\_\_\_  
This creates the new Minimum Residential & Open Space share.

- 8B. Subtract the new combined Residential & Open Space share from 100 to compute the new Maximum Commercial / Industrial / Personal Property percentage share.** \_\_\_\_\_

- 9A. Divide this new Maximum % Share for Commercial/Industrial/Personal Property.** \_\_\_\_\_

- 9B. By the Commercial/Industrial/Personal Property percent share (from the grid above).** \_\_\_\_\_

- 9C. To determine the Maximum percentage of shift allowed.** \_\_\_\_\_  
The maximum percentage of shift allowed may not be more than 175%

Town of Middleton

Classification Hearing

CLASS	VALUE	PERCENT	RATE 100%	RATE 110%	RATE 125%	RATE 150%	TAXES PAID 100%	TAXES PAID 110%	TAXES PAID 125%	TAXES PAID 150%
1. RESIDENTIAL	\$ 2,005,418,967	81.75%	\$ 13.27	\$ 12.97	\$ 12.53	\$ 11.79	\$ 26,611,910	\$ 26,017,734	\$ 25,126,470	\$ 23,641,030
2. OPEN SPACE	\$ -	0.00%	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ -	\$ -	\$ -	\$ -
3. COMMERCIAL	\$ 259,982,282	10.60%	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ 3,449,965	\$ 3,794,961	\$ 4,312,456	\$ 5,174,947
4. INDUSTRIAL	\$ 132,929,800	5.42%	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ 1,763,978	\$ 1,940,376	\$ 2,204,973	\$ 2,645,968
5. PERSONAL	\$ 54,846,730	2.24%	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ 727,816	\$ 800,598	\$ 909,770	\$ 1,091,724
	<u>\$ 2,453,177,779</u>	<u>100.00%</u>					<u>\$ 32,553,669</u>	<u>\$ 1,623,604</u>	<u>\$ 32,553,669</u>	<u>\$ 32,553,669</u>

CLASS	PARCELS	AVE VALUE	RATE 100%	RATE 110%	RATE 125%	RATE 150%	AVE TAXES PAID @ 100%	AVE TAXES PAID @ 110%	AVE TAXES PAID @ 125%	AVE TAXES PAID @ 150%
1. RESIDENTIAL	3379	\$ 593,495	\$ 13.27	\$ 12.97	\$ 12.53	\$ 11.79	\$ 7,876	\$ 7,700	\$ 7,436	\$ 6,996
2. OPEN SPACE	0	\$ -	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ -	\$ -	\$ -	\$ -
3. COMMERCIAL	180	\$ 1,444,346	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ 19,166	\$ 21,083	\$ 23,958	\$ 28,750
4. INDUSTRIAL	80	\$ 1,661,623	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ 22,050	\$ 24,255	\$ 27,562	\$ 33,075
5. PERSONAL	314	\$ 174,671	\$ 13.27	\$ 14.60	\$ 16.59	\$ 19.91	\$ 2,318	\$ 2,550	\$ 2,897	\$ 3,477

AVERAGE SINGLE FAMILY HOUSE TAX SAVINGS @ CLASSIFIED RATE

	\$	689,094	\$	13.27	\$	12.97	\$	12.53	\$	11.79	\$	9,144	\$	8,940	\$	8,634	\$	8,123	\$	(1,021)
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TAX COSTS @ CLASSIFIED RATE AVERAGE C&I PROPERTY

	\$	1,511,200	\$	13.27	\$	14.60	\$	16.59	\$	19.91	\$	20,054	\$	22,059	\$	25,067	\$	30,080	\$	5,013	\$	10,027
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\*Tax Rate is for Classification purposes only. Growth and final values not yet certified by D.O.R.

TAX RATE SHIFT IMPLICATIONS

RATE SHIFT	RES RATE	C I P RATE	RESIDENTIAL VALUATION	TAX SAVINGS	COMM/IND/PP VALUE	TAX INCREASE
1.0000	\$ 13.27	\$ 13.27	\$ 262,000	\$ -	\$ 151,400	\$ -
1.1000	\$ 12.97	\$ 14.60	\$ 262,000	\$ (79)	\$ 151,400	\$ 201
1.2000	\$ 12.68	\$ 15.92	\$ 262,000	\$ (155)	\$ 151,400	\$ 401
1.3000	\$ 12.38	\$ 17.25	\$ 262,000	\$ (233)	\$ 151,400	\$ 603
1.4000	\$ 12.08	\$ 18.58	\$ 262,000	\$ (312)	\$ 151,400	\$ 804
1.5000	\$ 11.79	\$ 19.91	\$ 262,000	\$ (388)	\$ 151,400	\$ 1,005

*LOWEST RESIDENTIAL VALUE VS LOWEST C & I VALUE*

RATE SHIFT	RES RATE	C I P RATE	RESIDENTIAL VALUATION	TAX SAVINGS	COMM/IND/PP VALUE	TAX INCREASE
1.0000	\$ 13.27	\$ 13.27	\$ 689,094	\$ -	\$ 758,913	\$ -
1.1000	\$ 12.97	\$ 14.60	\$ 689,094	\$ (207)	\$ 758,913	\$ 1,009
1.2000	\$ 12.68	\$ 15.92	\$ 689,094	\$ (407)	\$ 758,913	\$ 2,011
1.3000	\$ 12.38	\$ 17.25	\$ 689,094	\$ (613)	\$ 758,913	\$ 3,020
1.4000	\$ 12.08	\$ 18.58	\$ 689,094	\$ (820)	\$ 758,913	\$ 4,030
1.5000	\$ 11.79	\$ 19.91	\$ 689,094	\$ (1,020)	\$ 758,913	\$ 5,039

*AVERAGE RESIDENTIAL VALUE VS AVERAGE C.I.P. VALUE*

RATE SHIFT	RES RATE	C I P RATE	RESIDENTIAL VALUATION	TAX SAVINGS	COMM/IND/PP VALUE	TAX INCREASE
1.0000	\$ 13.27	\$ 13.27	\$ 2,571,100	\$ -	\$ 26,102,400	\$ -
1.1000	\$ 12.97	\$ 14.60	\$ 2,571,100	\$ (771)	\$ 26,102,400	\$ 34,716
1.2000	\$ 12.68	\$ 15.92	\$ 2,571,100	\$ (1,517)	\$ 26,102,400	\$ 69,171
1.3000	\$ 12.38	\$ 17.25	\$ 2,571,100	\$ (2,288)	\$ 26,102,400	\$ 103,888
1.4000	\$ 12.08	\$ 18.58	\$ 2,571,100	\$ (3,060)	\$ 26,102,400	\$ 138,604
1.5000	\$ 11.79	\$ 19.91	\$ 2,571,100	\$ (3,805)	\$ 26,102,400	\$ 173,320

*HIGHEST RESIDENTIAL VALUE VS HIGHEST C/I VALUE*