

Town of Carlisle
Residential Tax Exemption Feasibility Report

The intended purpose of this report is to provide the Carlisle Select Board with detailed information and analysis regarding the feasibility and implications of implementing a Residential Tax Exemption for Fiscal Year 2025. The three sections of this document are

- 1) Residential Tax Exemption and the communities utilizing it
- 2) Town of Concord and the Residential Exemption
- 3) Assessed valuation differences between Concord & Carlisle

The Residential Tax Exemption

The Residential Tax Exemption is one of four tax classification options that provide Massachusetts communities with the ability to shift the local real estate tax levy both between and within real estate property classes. According to the D.O.R. Division of Local Services publication, “City & Town”, the Residential Exemption, enacted in 1979, *“shifts the tax burden within the residential class from owners of moderately valued residential properties to the owners of vacation homes, higher valued homes and residential properties not occupied by the owner, including apartments and vacant lands”*. The exemption reduces a portion of the total assessed value of qualifying residential properties by 5 to 35 percent of the average residential value. The intent behind the exemption is to provide tax relief to those property owners that are domiciled within the community. The implementation of this exemption shifts the residential real estate tax burden from qualifying residential properties to non-qualifying residential properties. The residential tax rate is increased as a result of the decrease in the total taxable residential value.

Historically, Massachusetts communities having implemented residential exemption have distinct residential property profiles. These communities are typically either urban or seasonal communities. Urban, densely populated communities, such as Boston, Cambridge, Somerville and Watertown, have a significant number of non-owner-occupied residential parcels such as apartment buildings. Resort communities, like Barnstable, Mashpee, Nantucket and Provincetown, have a significant number of seasonal, residential property owners.

Although they differ significantly in their residential property character and density, both urban and resort communities have a significantly lower percentage of qualifying residential properties than the typical Massachusetts suburban, bedroom community. (See exhibit #1 for the complete list of those communities with a Residential Tax exemption during Fiscal Year 2024.)

Town of Concord and Residential Tax Exemption

In Fiscal Year 2022, Concord's Select Board published its yearly financial goals which included the following:

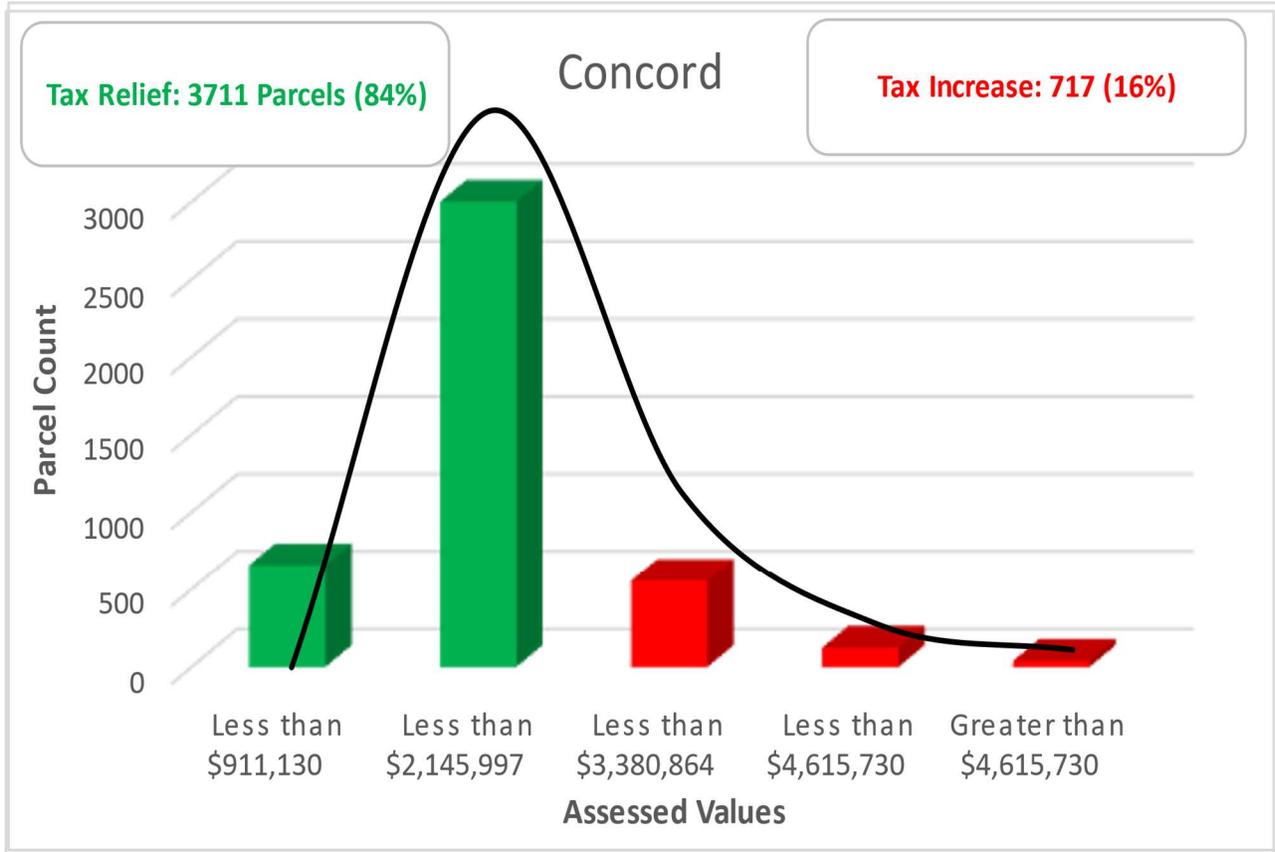
- 1. Gain Special Town Meeting and Town Election approval of debt exclusion funding for the new middle school with a target total project cost of \$100 million or less.*
- 2. Brainstorm Town and School strategies for financing the forthcoming new Middle School Building Project to manage the future tax burden on Concord citizens. Identify an action plan to implement these financing strategies.*

The construction of a new middle school was estimated to increase the average single-family home by \$1,400 per year resulting in additional financial strain for many within the community. All options were considered to mitigate the sizable real estate tax increase. The Residential Exemption, although atypical for a community like Concord, was identified as an option to provide tax relief to property owners adversely affected by the tax bill increase. On the recommendation of the Select Board in Fiscal Year 2023, the exemption's financial implications were studied over the next year. After extensive debate by both advocates and opponents, a 10% Residential Exemption was approved by the Select Board at the Fiscal Year 2024 Classification Hearing.

Concord & the Residential Exemption: Salient Facts & Figures

- Fiscal Year 2024 Average Residential Value was \$1,429,712
- Breakeven Residential Value was \$2,100,000
- An estimated 4,000 of the 5,977 residential properties (67%) would be eligible for the exemption
- Based on the breakeven value, 3,711 single family homes benefit from a real estate tax decrease or no increase while 717 homes would experience an increase in their bills
- 398 residential real estate parcels, comprising 4.82% of the total value of residential property class, were either ineligible (Apartments & Vacant Land) or likely ineligible (2 or 3 family homes) for the Residential Exemption.

Fiscal Year 2024 Concord Single Family Valuation Analysis

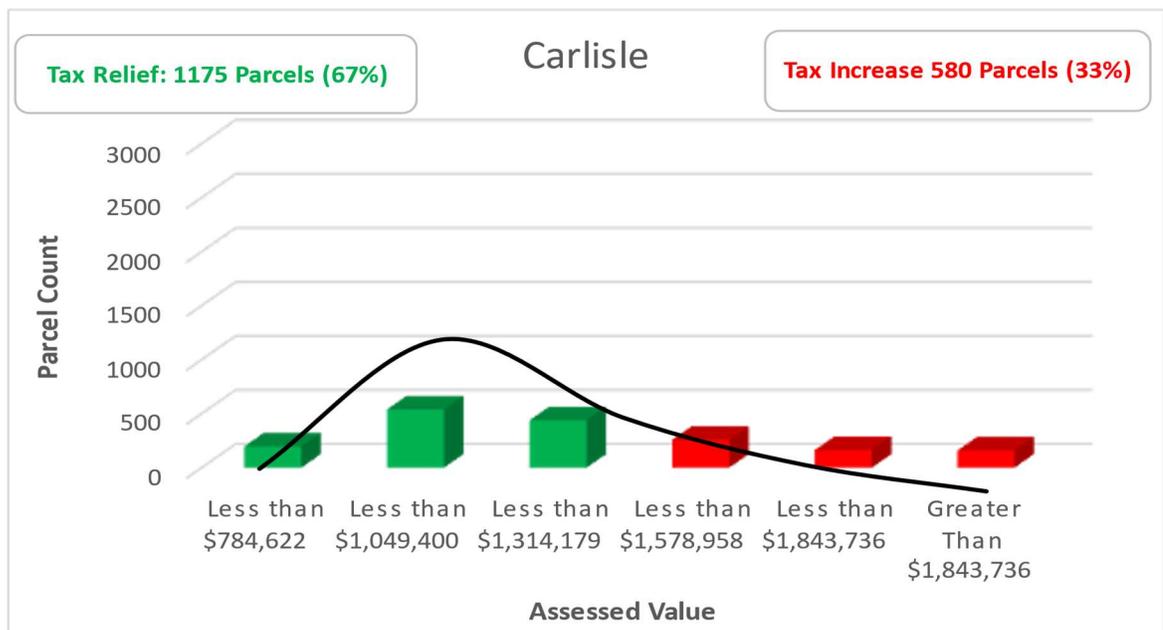


The frequency distribution chart below graphs the Fiscal Year 2024 assessed valuations by parcel count in Concord. It highlights that single family valuations in are not normally distributed by statistical standards. This is reflected by the disproportionate number of properties benefiting from this exemption as opposed to those negatively impacted by it. By implementing a Residential Exemption, 4 out of 5 properties benefitted from a real estate tax reduction or had no increase to their real estate bill. This ratio was only achievable due to the many highly valued residential properties in Concord. In reviewing all Fiscal Year 2024 single family values, 453 properties had assessed values exceeding the median single-family value by 2 to 6 times.

Carlisle Residential Exemption Analysis

For purpose of this study, Fiscal Year 2024 valuations for the town of Carlisle were analyzed for comparison purposes. The chart below reflects the distribution of the assessed valuations of all single-family homes within the community during Fiscal Year 2024. The important details include

- In the Fiscal Year 2024, the Average Residential Value was \$1,134,932
- Breakeven Residential Value was \$1,314,179
- An estimated 1,600 eligible properties would qualify for the Residential Exemption
- 167 residentially classified parcels, comprising 2.2% of the total residential property class value, were either ineligible (Apartments & Vacant Land) or likely ineligible (2 or 3 family homes) for the Residential Exemption
- Based on the breakeven value, 1,175 single family homes would realize a real estate tax decrease or no increase while 580 single family homes would experience a real estate tax increase. (2:1 ratio)
- The chart below indicates that single family valuations in Carlisle are more normally distributed statistically than within Concord. As a result, the difference between the number of properties benefiting from and those disadvantaged by a Residential Exemption is significantly inferior.



Utilizing additional data from the Department of Revenue, further analysis was conducted utilizing the Fiscal Year 2024 assessed values for both communities. The results of this analysis indicated additional valuation differences pertinent to this issue. The following chart includes the total value of each of the 4 primary property classes and the percentage each class is of the total assessed value of the town. The important differences include the value of the commercial, industrial and commercial property classes (C.I.P.). Concord's C.I.P. property classes comprise 6.83% of the total assessed value, significantly exceeding the 1.83% total C.I.P. value in Carlisle. C.I.P property classes will bear, at a minimum, an equitable share of the property tax levy approved at Town Meeting, including debt exclusions or overrides. Furthermore, with the approval of a Residential Factor of less than 1 and implementation of a C.I.P. shift by the Select Board, a split tax rate could shift up to an additional 50% to these property classes providing additional tax savings to the residential property class.

	Concord		Carlisle	
	Assessed Value	% of Total Value	Assessed Value	Carlisle
Residential	8,583,989,514	93.17%	2,260,784,835	98.19%
Commercial	528,176,395	5.73%	10,789,001	0.47%
Industrial	29,558,604	0.32%	2,289,000	0.10%
Per. Property	71,056,870	0.77%	28,629,671	1.24%
Total Value	9,212,781,383		2,302,492,507	

Conclusion

Concord’s residential valuation profile is atypical of the other Massachusetts cities and towns that have adopted a Residential Exemption. Due to both its atypical, assessed valuation distribution and unqualified residential properties, most of Concord’s owner-occupied residential properties have financially benefitted from implementing the Residential Exemption. Concord and Carlisle’s numerous similarities have led to a long history of collaboration. However, their difference in assessed valuations will prevent the Residential Exemption from achieving the same effect in Carlisle. The Board of Assessors do not recommend the implementation of a Residential Exemption of any percentage in Fiscal Year 2025.

Exhibit #1

Massachusetts Communities with a Residential Exemption

<u>Municipality</u>	<u>Community Profile</u>	<u>Residential Exemption %</u>
Barnstable	Resort	25
Boston	High-Density Urban	35
Brookline	High-Density Urban	20
Cambridge	High-Density Urban	30
Chelsea	High-Density Urban	35
Everett	High-Density Urban	25
Malden	High-Density Urban	30
Mashpee	Resort	5
Nantucket	Resort	25
Oak Bluffs	Resort	15
Provincetown	Resort	35
Somerville	High-Density Urban	35
Tisbury	Resort	22
Truro	Resort	35
Waltham	High-Density Urban	35
Watertown	High-Density Urban	33
Wellfleet	Resort	30