

## **THE DEPARTMENT OF REVENUE'S ROLE**

Through its Division of Local Services, the unit that has regulatory and assistance responsibilities for municipal finance and taxation, the Department staff certifies both valuations and tax rates for the cities and towns.

The Division of Local Services functions through four Bureaus: Accounts, Local Assessment, Municipal Data Management/ Technical Assistance and Property Tax.

In order to certify valuations, the BUREAU OF LOCAL ASSESSMENT reviews data submitted by the Assessors and conducts field reviews to assure that the valuations are properly derived and equitable applied.

To certify a tax rate, the PROPERTY TAX BUREAU looks over the various items that make up the estimated municipal revenue base and makes certain that the calculations for each category fall within the requirements of various laws, including Propositions 2 1/2.

The MUNICIPAL DATA MANAGEMENT/TECHNICAL ASSISTANCE BUREAU prepares the annual Cherry Sheets (estimates of local aid and state and county assessments for the next fiscal year) for Assessors and other local officials. It also coordinates the Division's technical assistance program, working with all fiscal officers.

The BUREAU OF ACCOUNTS oversees and provides technical assistance in municipal audits, accounting and financial reporting.

The Division provides guidelines that inform local officials of new and updated laws and prepares specialized publications for municipal use. It also conducts training courses for fiscal officials, offers workshops and seminars throughout the years and participates actively and cooperatively in local officials' organizations such as the MAAO.

## **YOU AND YOUR PROPERTY TAXES**



## **A TAXPAYERS GUIDE TO ASSESSING IN MASSACHUSETTS**

## WHAT THE ASSESSORS DO

**Assessors are required by Massachusetts law to assess at market value all real and personal property within their community.** They value every property, from single-family residences to the largest of commercial and industrial enterprises. They may perform this work with their own staff or they may hire a professional appraisal firm. Increasingly, Assessors use computer software as a tool to maintain values and assist with the multitude of calculations required in their work.

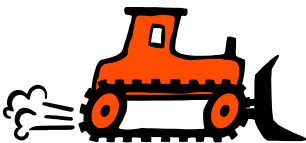
Every three years Assessors must submit these values to the state Department of Revenue for certification. **Assessors must also maintain the values at market value in the years between certifications.** This is done so that each property taxpayer in the community pays his or her fair share of the cost of local government - no more or less - in proportion to the amount of money the property is worth.

Assessors also have a responsibility for the motor vehicle excise tax bills originated by the State Registry of Motor Vehicles.



They update the bills to reflect recent changes and then pass them on to the municipal Collector for distribution. Assessors grant abatements and answer any questions regarding excise tax bills.

Assessors, then, have a major role in promoting effective financial management of their communities. By keeping values at the market standard, the Assessors assist in maximizing the resources available to fund the municipal services expected by residents. Property taxes are one of the major sources of funding for the community services enjoyed by the taxpayers - schools for their children, police and fire protection and the upkeep of municipal roads, including that special New England priority - SNOWPLOWING.



## DETERMINING THE TAX RATE

Once the Assessors have calculated the current total valuation of property and know the amount the Town Meeting or Council has voted to come from the levy, the Assessors prepare a document that shows how much of the value and how much of the proposed levy would come from each of the different classes of property (residential, commercial, industrial, open space and personal). They provide this document to the Selectmen or Mayor and City or Town Council members, who must then vote on whether to apply the same tax rate or separate rates to the the different property classes.

If community officials choose to utilize different tax rates, a residential rate could, for example, be \$18 per thousand and the commercial/industrial rate \$24 per thousand. (the tax rate is expressed in dollars per thousand of value. A tax rate of \$25 per thousand then would result in a tax of \$2,500 for a property valued at \$100,000.)

Next, Assessors prepare a “recapitulation sheet” that lists all the different sources of revenue available to the community in the coming year. The Assessors then submit the “recap sheet” to the Department of Revenue and request certification of the tax rate. Once the rate is certified, the tax bills can be mailed.

## WHO ARE THE ASSESSORS

There are some 1200 Assessors in Massachusetts. Most are elected part-time officials contributing their services to the community. More and more often, part-time boards are hiring a full-time person as an “Assistant Assessor/Appraiser”.



Once elected or appointed, an Assessors in this state must successfully complete a 30 hour course in Assessment Administration and Law (and pass a 3 hour exam) offered across the state at no charge by the Department of Revenue. Many Assessors also go well beyond this minimum requirement, often on their own time and expense, to take additional assessment and appraisal courses offered by the Massachusetts Association of Assessing Officers and International Association of Assessing Officers.

## EXEMPTIONS

By State law, certain taxpayers are allowed exemptions from their property tax bills. These exemptions are allowed to those who are qualified primarily from among the elderly, veterans, the blind, widows and widowers and the minor children of deceased parents. In order to receive the exemption, however, they must apply at their local Assessors office. As long as the applicant meets all the requirements laid out by the law, the Assessors must grant the exemption.

### WHAT THE ASSESSORS DO NOT DO:

Assessors do not make the laws that affect property owners. Tax laws are enacted by the Massachusetts Legislature. Various guidelines and regulations to implement the legislation are established by the Department of Revenue. The Assessors, in short, follow the procedures established by others to set the value of property. Value is actually set by buyers and sellers as they establish the worth of comparable properties through their transactions in the real estate marketplace.

The Assessors also do not determine taxes. the level of property taxation is determined by the municipality itself, through its Town Meeting or Town or City Council. Similarly, the Assessors don't decide who is entitled to relief on their property tax bills through exemptions; rather they follow the state law.

### HOW PROPERTY TAXES ARE DETERMINED

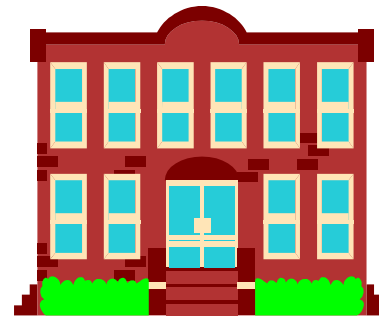
Before Proposition 2 1/2 went into effect in Massachusetts in Fiscal Year 1982, the amount to be raised by the property tax in each community was essentially determined by what the community decided to spend in the coming year, either through its Annual Town Meeting or its City or Town Council. In brief, budgets were determined, and then tax rates were set to raise that amount.

With Proposition 2 1/2 in effect, the process is reversed. The tax limitation law sets the maximum amount a community may collect from the property tax; budgets must be made to fit



## HOW ASSESSORS DETERMINE VALUE

**Valuation in Massachusetts is based on “full and fair cash value,” the amount a willing buyer would pay a willing seller on the open market.** Assessors must collect, record and analyze a great deal of information about property and market characteristics in order to estimate the fair market value of all taxable properties in their communities. Properties such as churches and educational institutions are also valued even though they are exempt from taxation.



Assessors first inspect each property to record specific features of the land and building(s) that contribute to its value. Size, type and quality of construction, number of room, bath, fireplaces, type of heating system - all are examples of the data listed on individual property record cards before the valuation process can begin. Assessors may not have to go inside each property before every revaluation if records are kept up to date and building permits are checked and recorded for changes in individual properties.

Finding the “full and fair cash value” or “market value” of a property involves discovering what similar properties are selling for, what the property would cost today to replace and what financial factors, such as interest rates, may be affecting the real estate market. Valuation techniques for commercial and industrial properties also include analysis from an investment point of view, since the purchase price the buyer is willing to pay depends in part on the return he expects to receive.

The Assessor does not create value. Rather, he has the legal responsibility to discover and reflect the changes that are occurring in the marketplace.

### WHAT IS THE ASSESSMENT?

The assessed value (or assessment) is the value of property to be used for local taxation, as determined by the Assessors according to Massachusetts law and regulations set by the Commissioner of Revenue.

### WHY ASSESSMENTS GO UP WHEN A PROPERTY HASN'T CHANGED

Since assessments must be set at market value, rising real estate values in the community will be reflected in generally higher assessments. All properties, however, do not change in value to exactly the same degree. Many factors influence values and the value of some properties - those with ocean or pond views, for example - may well increase more rapidly than others.



### WHY AN INCREASE IN VALUATION DOES NOT NECESSARILY BRING A HIGHER TAX BILL

Taxpayers who are informed of an increase in the value of their property are understandably concerned that their tax bills will increase correspondingly. In the past - before cities and towns in Massachusetts were regularly revaluing their properties to the market value and before Proposition 2 1/2 limited the amount a community can collect from the property tax - there were often dramatic increases in tax bills when property was reassessed.

For the most part, however, this is no longer true. In fact, as valuations go up, tax rates go down and thus taxpayers will be paying a lower rate per thousand dollars of valuation. Any increase in the bill should be moderate, reflecting the minimal increase in overall property taxation allowed by Proposition 2 1/2 (and any override approved by the voters).

Nevertheless, there are certain instances when the increase in value may bring more than a minimal increase in taxpayer's bill. When the increase in value is the result of an addition to the property (a swimming pool or a new room) or when the value of a particular class of property is rising more rapidly than other classes in the same community (beachfront homes, for example), the taxpayer can expect his or her bill to reflect those

Taxpayers in communities that approve an override of Proposition 2 1/2 will also expect to see that additional tax reflected in their bills. Otherwise, there should be no dramatic increase as the result of a revised valuation figure.

It can be helpful to think of the property tax collection as the total a community can collect from each taxpayer each year in proportion to the value of his property. Both that total amount and any annual increase are limited by Proposition 2 1/2.

### WHAT IF YOU DISAGREE WITH THE ASSESSED VALUE OF YOUR PROPERTY?

If, in your opinion, the assessment of your property is too high, by all means discuss this with the Board of Assessors. When you receive notice of a new value, you may make an appointment to talk with the Assessors. In meeting with them, you will want to be specific about why you disagree. Is there some misinformation on the property record card? do you find values of comparable properties lower than yours? If so, it is helpful to cite specific examples. Information on all the assessments in the community is available in the Assessors' Office. The appeal process is described on the tax bill.

### ABATEMENTS AND APPEALS

The taxpayer also has a formal right to file for an abatement of taxes, once the tax bills have been distributed. the taxpayer can file if he or she believes the property is overassessed, that it is not assessed fairly in comparison to other properties, or that it is not classified correctly by the Assessors. Information about this and the deadlines that must be met in filing an application for an abatement is available at local Assessors' Office.



If the Assessors do not grant the desired abatement, the taxpayer also has the right to appeal to the State's Appellate Tax Board within a certain time period. Information and applications are available from the Appellate Tax Board, 399 Washington St., Boston, MA 02204 (617)727-3100.