Property Tax Classification Hearing
Fiscal Year 2019 • Assessing Department
December 3, 2018

Mayor, Thomas P. Koch
Quincy, Board of Assessors
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In taxation, the term “property” includes both real and personal property. Since they are taxed separately, a careful distinction between the two is necessary. Real Property includes land and all improvements. It is the physical land and everything attached to it, including everything under the ground (water and mineral rights) and everything above the ground. It includes all benefits, rights, interests and limitations inherent in the ownership of the real estate. Personal property consists of any tangible assets owned by an individual, a business, or an organization which are not real estate and which are not permanently affixed to a particular building.

### Property Classification

Assessors must classify all real property according to use as of January 1 for the four classes: Residential, Open Space, Commercial or Industrial.

In 1978, the citizens of the Commonwealth approved a constitutional amendment authorizing the Legislature to classify real property into as many as four (4) classes and to tax these classes differently. Assessors in Massachusetts must assign all property in the city or town according to its use: residential, open space, commercial, industrial, and personal. Each parcel must always be assessed at full and fair cash value.

**Residential:** All real property used or held for human habitation containing one or more dwellings.

**Commercial:** All real property used or held for use of business purposes and not specifically included in another class, including but not limited to any commercial, business, retail, trade, service, recreational, agricultural, artistic, sporting, fraternal, governmental, educational, medical or religious enterprise for non-profit purposes.

**Industrial:** All real property used or held for use for manufacturing, milling, converting, producing, processing, extracting or fabricating materials unserviceable in their natural state to create commercial products or materials.

**Personal Property:** All personal property, wherever situated, unless expressly exempt, shall be subject to taxation. Taxable items based on the business classification.
How are Property Values Determined?

The Assessing Department is statutorily required to assess all property at its full and fair cash value as of January 1 of each year, Massachusetts General Laws, Chapter 59, Section 38. The assessed value for the Fiscal Year 2019 tax bill represents the fair cash value of property as of January 1, 2018. Full and fair cash value is defined as the price an owner willing, but not under compulsion, to sell ought to receive from a buyer willing, but not under compulsion, to purchase.

Market sales of similar properties which sold in the year prior to January 1 are analyzed, compared and adjusted to reflect what the property would sell for on January 1.

Therefore, for Fiscal Year 2019 valuation, sales from calendar year 2017 are analyzed. When there are many sales, the market approach is the most accurate and dependable tool in the determination of value.

### Three Approaches to Value

**Sales Approach:** Market sales of similar properties which sold in the year prior to January 1 are analyzed, compared and adjusted to reflect what the property would sell for on January 1.

When there are many sales, the market approach is the most accurate and dependable tool in the determination of value. Most residential property is valued by the market approach.

**Income Approach:** The income stream that a property is likely to produce for an investor is determined by examining data such as current market rents, occupancy rates, and expenses. The process of capitalization converts the future income stream into present worth or market value. The income approach is most applicable to real estate that is bought and sold based on its income-producing capabilities, such as retail stores, office buildings and apartment buildings.

**Cost Approach:** The current reproduction or replacement cost of a property is determined, with adjustments made for depreciation and land value. Reproduction cost is the amount of money necessary to erect a new structure that is an exact replica of the existing building. Replacement cost is the expenditure necessary to build a new building equal in utility to the original and able to serve as a substitute in function. The cost approach is most applicable to special-purpose properties that are not readily sold or rented.
Full and Fair Cash Value

Constitutional and statutory provisions prohibit the assessment of property above or below its full and fair cash value. “Full and fair cash value” represents the applied constitutional and statutory standard protecting the property owner’s right to pay only his or her fair share of the tax burden. The City of Quincy has remained in compliance with the “full and fair cash value” standard since it was enacted in Fiscal Year 1983.

Assessment Dates and Fiscal Year

In Massachusetts, state law requires that all property be assessed at its full market value as of January 1 preceding the start of the fiscal year. It is the ownership, condition and value of the property on January 1 that determines an assessment and to whom the tax bill is assessed.

However, any new structures, additions, demolitions, improvements or alterations that occur after January 1st and prior to June 30th, will be valued based on an assessment date of June 30th.

Property taxes are assessed for the fiscal year which, in Massachusetts, begins on July 1 and ends on June 30, based on the value of the property as of the previous January 1.

For example, property taxes for Fiscal Year 2019 (July 1, 2018 to June 30, 2019) are based on the value of properties as of January 1, 2018.

Revaluation Process

Chapter 40, Section 56 of the Massachusetts General Laws requires all cities and towns to conduct a revaluation every five (5) years. A recent change in state law moved the revaluation cycle from every three years to every five years, with most cities and towns making the transition to this new schedule in the coming years.

The current fiscal year (FY19) is a interim year for the City of Quincy. The next revaluation is scheduled to take place in Fiscal Year 2023.

The DOR applies a rigorous certification process when a community revalues its property, requiring that assessments meet strict statistical tests to ensure that they accurately reflect the market and are applied consistently. In the years between revaluations, the City, pursuant to state law, must adjust property assessments consistent with real estate market trends.
Classification

Following the passage of the classification amendment, the Legislature established statutory limits on the discount available to residential property, as well as the maximum increase that could be placed on business properties. Under the original legislation, the tax rate for residential property could be discounted down to 65% of the non-classified tax rate (i.e., what the rate would be without classification), provided that this rate did not increase the tax rate for business properties to more than 150% of the non-classified rate.

Between 1983 and 1987, however, rapid appreciation in housing values increased in the Commonwealth. However, in Quincy, the City Council, with the approval of the Mayor, has chosen to fully implement classification - a local option - thereby reducing the residential tax rate to the lowest level allowed by law. Without classification, residential taxpayers would see their property taxed at a much higher rate.

Property Tax Levy

The property tax levy is the amount a municipality raises through real and personal property taxes. In Quincy, the property tax levy is the City’s largest source of revenue. Each year, the amount to be raised must be determined in accordance with Proposition 2½.

Proposition 2½

Proposition 2½, an initiative petition, was approved by the citizens of the Commonwealth in 1980. Its principal provisions relative to the property tax are to:

- Limit the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property.
- Limit the property tax levy to no more than a 2.5% increase over the prior year’s levy limit, with certain provisions for new growth and construction. Taxpayers should note that the 2.5% limit applies to the entire levy, not to individual tax bills.
- Provide for local overrides of the levy limit and a local option to exclude certain debt from the limit. Since the inception of Proposition 2½, the City of Quincy has not voted either to override the levy limitations or exclude any debt as allowed by Proposition 2½.

In FY18 classification resulted in substantial savings for the City’s residential taxpayers. On average, classification saved homeowners:

- $911 on a single-family home;
- $643 on a residential condominium;
- $1,147 on a two-family home; and
- $1,266 on a three-family home.
Proposition 2½ allows a community to increase its levy limit annually by an amount based upon the valuation of certain new construction and other growth in the tax base that is not the result of property revaluation.

The purpose of this provision is to recognize that new development results in additional municipal costs; for instance, the construction of a new housing development may result in increased school enrollment, public safety costs and so on.

This provision covers:

- New construction, additions, and alterations that result in increases in assessed valuation aside from revaluation effects;
- New personal property;
- Exempt property returned to the tax rolls; and
- Net increased valuation for subdivision parcels and condominium conversions

New growth is calculated by multiplying the increase in the assessed valuation of a newly taxable property by the prior year’s tax rate for the appropriate class of property.

Property Tax Bills

The City of Quincy adopted the provisions of Massachusetts law that allow cities and towns to issue tax bills on a quarterly basis.

- A preliminary payment is due August 1 (first quarter) and November 1 (second quarter).
- The amount is equal to fifty percent (50%) of the prior year’s tax, divided into two equal payments. The preliminary tax is not an estimated tax bill for the new fiscal year; rather, as indicated on the tax bill, it is a preliminary amount based upon the prior year’s tax.
- The third quarter bill is issued in late December of each year and indicates the fair cash value assessment and tax rate for the fiscal year and the entire tax owed. Any exemption for which a taxpayer is eligible appears as a credit on this bill. The tax due, less the earlier preliminary payments and any exemption for which the taxpayer is eligible, is payable in two equal installments that are due on February 1 and May 1 of the tax year.

In FY 2018 Quincy Ranked 4th out of 351 Municipalities in Total New Growth (Value)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>4,471,618,013</td>
</tr>
<tr>
<td>Cambridge</td>
<td>1,128,728,444</td>
</tr>
<tr>
<td>Newton</td>
<td>411,353,800</td>
</tr>
<tr>
<td>Quincy</td>
<td>369,555,120</td>
</tr>
</tbody>
</table>
The City of Quincy provides a number of property tax relief programs for qualified homeowners. These programs are provided thru the State and require certain requirements to receive the exemption. These programs include personal exemptions and tax deferrals. Information on these programs please visit: https://www.quincyma.gov/assessors

**Personal Exemptions**

A personal exemption releases a taxpayer from an obligation to pay all or a portion of the taxes assessed on a parcel of property, based on specific conditions.

Some notable personal exemption program information is described below:

<table>
<thead>
<tr>
<th>Clause</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>17D</td>
<td>Surviving Spouse; Minor Child of a Deceased Parent; Elderly Persons over the Age of 70</td>
</tr>
<tr>
<td>18</td>
<td>Hardship exemption</td>
</tr>
<tr>
<td>22-22E</td>
<td>Qualified Veteran homeowner with a service-connected disability during the time of war</td>
</tr>
<tr>
<td>37A</td>
<td>Homeowners who are legally blind</td>
</tr>
<tr>
<td>41C</td>
<td>Elderly homeowner over the age of 65 who meets certain financial requirements</td>
</tr>
<tr>
<td>42</td>
<td>Surviving Spouse of a Firefighter or Police Officer killed in the line of duty</td>
</tr>
<tr>
<td>43</td>
<td>Minor Child of a Firefighter or Police Officer killed in the line of duty</td>
</tr>
<tr>
<td>56</td>
<td>National Guard exemption</td>
</tr>
</tbody>
</table>

**Tax Deferral Programs**

Taxpayers may consider participation in a tax deferral program if they are having difficulty affording their tax liability.

<table>
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<th>Program</th>
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<tr>
<td>41A</td>
<td>Tax Deferral for persons over the age of 65</td>
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</tbody>
</table>
## Full & Fair Cash Valuation
Certified by the Department of Revenue
Fiscal Year 2019

<table>
<thead>
<tr>
<th>Classification</th>
<th>Assessed Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>13,618,696,687</td>
<td>85.43%</td>
</tr>
<tr>
<td>Commercial</td>
<td>1,842,463,695</td>
<td>11.56%</td>
</tr>
<tr>
<td>Industrial</td>
<td>96,588,100</td>
<td>0.61%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>383,338,500</td>
<td>2.40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,941,086,982</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
MINIMUM RESIDENTIAL FACTOR
The calculations of Fiscal Year 2019 Tax Rate is listed below

<table>
<thead>
<tr>
<th>Class</th>
<th>Value</th>
<th>Percentage</th>
</tr>
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Chapter 200 of the acts of 1988 allows the CIP burden to be increased by up to 75% as long as the Residential factor is at least 50%. This act allows for the shift of 1.75 to the CIP Class. If we had not adopted the Acts of 1988, using a single tax rate would result in a rate of $14.39 for both the Residential and CIP classes.

<table>
<thead>
<tr>
<th>Levy</th>
<th>Value</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$229,392,431</td>
<td>15,941,086,982</td>
<td>$14.39</td>
</tr>
</tbody>
</table>

The tax levy for fiscal year 2019 is $229,392,431 divided by $15,941,086,982 or the total value of all real and personal property which results in a single tax rate of $14.39.

Calculating the tax rate using the 1.75 shift is listed below

14.57% (x) 1.75 = 25.50% CIP
CIP total value expressed as percentage multiplied by the 1.75 shift = the new CIP percentage after the shift

100% – 25.50% = 74.50% Residential
Simply take the difference to solve for the residential percentage after the shift

$229,392,431 X 25.50% = $58,495,069.91 CIP Levy
$229,392,431 X 74.50% = $170,897,361.10 Residential Levy

Multiply the total levy by the CIP & Residential percentage to solve for both CIP & Residential levy

$58,495,069 / 2,322,390,295 = $25.18 CIP Rate
Divide the CIP Levy by total assessed value of CIP class to solve the proposed CIP Tax Rate
$170,897,361 / 13,618,696,687 = $12.55 Residential Rate
Divide the residential levy by the total assessed value of the residential class to solve the proposed Residential tax rate

Without classification the residential levy would have been
(229,392,431 X 85.43%) = $195,969,954
With classification of 1.75 the residential levy is
(229,392,431 X 74.50%) = $170,897,361

The difference of $25,072,593 of the tax levy is added to the CIP Levy

Minimum Residential Factor .7450/.8543 = .8721
Divide the residential percentage with classification by the residential percentage without classification
Proposed FY 2019 Tax Rate

The tax levy for Fiscal Year 2019 is $229,392,431. The City of Quincy has historically shifted to the highest available CIP shift of 1.75.

<table>
<thead>
<tr>
<th>Class</th>
<th>Assessed Value</th>
<th>% of Levy</th>
<th>FY19 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP</td>
<td>$ 2,322,390,295</td>
<td>$58,495,069</td>
<td>25.18</td>
</tr>
<tr>
<td>Residential</td>
<td>$ 13,618,696,687</td>
<td>$170,897,361</td>
<td>12.55</td>
</tr>
</tbody>
</table>

By agreeing to the classification shift, the residential factor would be .8721