

Town of Concord

STATUTORY SENIOR AND
RESIDENTIAL EXEMPTIONS

APRIL 3, 2023

PRESENTED BY:

THE CONCORD BOARD OF ASSESSORS

DAVID KARR CHAIRMAN

MEREDITH STONE TOWN ASSESSOR &
STAFF

4/3/2023



FY23
RECERTIFICATION/
REVALUATION YEAR



Roadmap

In this presentation, we will examine:

- Demographics of the Town of Concord (households, age, income)
- Distribution of property value among residential properties
- Existing policies affecting the tax burden on households
- Alternatives to the existing policies
- Implementation, benefits, costs, and risks of the Residential Exemption
- Implementation, benefits, costs, and risks of Clause 41C½

Demographics of Concord

	All ages	Age 65+
Population (2020)	18,466	3,655
Number of households (2020)	6,357	(est.) 3,080
% Home owners (2017-2021)	74.6%	
Median income (2017-2021, 2021 dollars)	\$169,335	
Median income (2012-2016)	\$138,661	\$100,000

16% of households are seniors living alone (2012-2016)

42% of senior households have income below \$75,000 (2012-2016)

Sources: <https://www.census.gov/quickfacts/concordtownmiddlesexcountymassachusetts>
<https://cleargov.com/massachusetts/middlesex/town/concord/demographics>
<http://www.housing.ma/concord/report>
https://www.rhsohousing.org/sites/g/files/vyhlf421/f/uploads/concord_infographic_final.pdf

Property values and taxes

Distribution of property values of single-family homes:

Approximately 4% are valued under \$700,000

Approximately 33% are valued under \$1,000,000

50% are valued under \$1,169,500

Approximately 66% are valued under \$1,400,000

Approximately 94% are valued under \$2,500,000

Under the FY2023 tax policy, all properties are taxed at \$12.96/1000 in exact proportion to the property value.

Mechanisms for shifting the burden of property taxes

CURRENTLY IMPLEMENTED

Senior Means-Tested Exemption

Clause 41C (senior)

Clause 17D (senior)

Clauses 22, 22A,B,C,D,E (veteran)

Clause 37A (blind)

Clauses 18 (hardship)

POSSIBLE TO IMPLEMENT

Split rate (residential vs. commercial)

Residential exemption (lower-valued vs. higher-valued properties, non-residents, and rentals)

Clause 41C½ (senior)

The benefits and costs of a split rate have been well-studied and will not be considered in this presentation.

The Residential Exemption

The Residential Exemption is a policy available to all cities and towns in Massachusetts.

Massachusetts law requires the Select Board to decide each year:

- Whether to adopt the Residential Exemption.
- If the Residential Exemption is adopted, the amount of the exemption.

In order to qualify for an exemption, a residential parcel must be the owner's principal place of residence as of January 1 in the previous fiscal year, as used for state income tax purposes.

The Residential Exemption increases the residential tax rate. It is a tax shift from the exempt portion of qualified properties to the non-exempt portions of all residential properties.

Cities and towns with a Residential Exemption

Barnstable	20%
Boston	35%
Brookline	20%
Cambridge	30%
Chelsea	35%
Everett	25%
Malden	30%
Mashpee	5%
Nantucket	25%
Oak Bluffs	8%
Provincetown	25%

Somerville	35%
Tisbury	22%
Truro	25%
Waltham	35%
Watertown	33%
Wellfleet	25%

Former Residential Exemptions, discontinued

Marlboro
Somerset
Weymouth

Residential exemption example 1

Assumption: 95% of single-family homes and condos are owner-occupied

Rate set by Select Board: **30%** (minimum amount to decrease tax on the median single-family home by \$1000)

Amount of exemption (estimated from FY23 values): \$369,615

Old tax rate: \$12.96

New tax rate: \$17.68

% increase: 36.4%

Effect on taxpayers

Full assessed value	Old tax	New tax (qualified)	Change	%	New tax (not qualified)	Change	%
700000	9072.00	5841.21	-3230.79	-35.6%	12376.00	+3304.00	+36.4%
1000000	12960.00	11145.21	-1814.79	-14.0%	17680.00	+4720.00	+36.4%
1169500	15156.72	14141.97	-1014.75	-6.7%	20676.76	+5520.04	+36.4%
1400000	18144.00	18217.21	+73.21	+0.4%	24752.00	+6608.00	+36.4%
2500000	32400.00	37665.21	+5265.21	+16.3%	44200.00	+11800.00	+36.4%

Residential exemption example 2

Assumption: 85% of single-family homes and condos are owner-occupied

Rate set by Select Board: **22%** (minimum amount to decrease tax on the median single-family home by \$1000)

Amount of exemption (estimated from FY23 values): \$271,051

Old tax rate: \$12.96

New tax rate: \$15.72

% increase: 21.3%

Effect on taxpayers

Full assessed value	Old tax	New tax (qualified)	Change	%	New tax (not qualified)	Change	%
700000	9072.00	6743.08	-2328.92	-25.7%	11004.00	+1932.00	+21.3%
1000000	12960.00	11459.08	-1500.92	-11.6%	15720.00	+2760.00	+21.3%
1169500	15156.72	14123.62	-1033.10	-6.8%	18384.54	+3227.82	+21.3%
1400000	18144.00	17747.08	-396.92	-2.2%	22008.00	+3864.00	+21.3%
2500000	32400.00	35039.08	+2639.08	+8.1%	39300.00	+6900.00	+21.3%

Adoption by Oak Bluffs

Total residential parcels: 4628

Original estimate of number of qualifying properties: 1350

FY2022 (first year of residential exemption)

- Exemption rate set by select board: 4%
- Exempted value: \$34,036
- Number of prequalified parcels, Nov 2021: 683 (<51% of original estimate)
- Residential tax rate with exemption: \$6.79
- Tax rate on other classes of property: \$6.76

FY2023

- Exemption rate set by select board: 8%
- Exempted value: \$90,838
- Number of prequalified parcels, Dec 2022: 794 (<59% of original estimate)
- Residential tax rate with exemption : \$5.28
- Tax rate on other classes of property : \$5.21

Application form

FISCAL YEAR 2023
RESIDENTIAL EXEMPTION
COMMONWEALTH OF MASSACHUSETTS
OAK BLUFFS

All information on this form must be completed in full and required documentation must be attached in order for the application to be considered complete. Under statute, the application for residential exemption must be filed no later than April 1, 2023.

STATEMENT OF FACTS

Property Address _____

1) Name(s) of record owner(s) _____

2) Name of Applicant(s) _____

3) Was parcel *owned and occupied* by you as your *domicile* as of January 1, 2022? YES ___ NO ___

NOTE: If no, please return the form but you can skip to the signature line (9) and not include any documentation.

4) **Please attach a copy of the 1st page of your most recent Federal Income Tax Return. We ask that you black out or otherwise cover your social security number and income information.**

- If your tax return shows a PO Box or address other than the Oak Bluffs property's street address, please **ALSO** include a copy of both sides of your current driver's license showing owner's name with the Oak Bluffs address. If you do not have a valid driver's license please contact our office at (508) 693-3554 x104.
- If you weren't required to file a tax return in 2022, please provide a written explanation

5) List the location and type of any other residential real estate owned by you: _____

6) Have you received or applied for, or will you receive or apply for any other residential exemption and/or homestead exemption in any other state, city or town in this fiscal year (7/1/22 to 6/30/23) or the previous fiscal year? ___ NO ___ YES If yes, what city/state? _____

Signing this form under the penalties of perjury has the legal effect of swearing under oath to the truthfulness of the information contained herein. All items on this form must be completed as indicated. In addition to other sanctions provided by law, intentional misrepresentation of facts in this application may result in cancellation of this exemption and the subsequent issuance of an omitted bill for the exempted value involved for the current fiscal year.

9) Signature of Applicant: _____

10) Mailing Address (if different than property location): _____

Email Address: _____ Phone Number: _____

ASSESSOR'S USE ONLY

GRANTED: _____ DENIED: _____ NO ACTION: _____ DATE: _____ AMOUNT ABATED: _____

Sample tax bill

Based on assessments as of January 1, 2022, your Real Estate Tax for the fiscal year beginning July 1, 2022 and ending June 30, 2023 on the parcel of real estate described below is as follows:

PROPERTY DESCRIPTION				
152 NEW YORK AV				
State Class				1010
Land Area				0.35 AC
Parcel ID				0004-0101
Book/Page				
RE TAX RATE PER \$1,000				
1-Res	2-OpSp	3-Comm	4-Indust	
\$5.28	\$0.00	\$5.21	\$5.21	
Land Value				\$482,800
Building Value				\$741,000
Residential Exemption				-\$90,838
Total Taxable Value				\$1,132,962

Assessed owner as of January 1, 2022:

THE COMMONWEALTH OF MASSACHUSETTS
SEE REVERSE SIDE FOR IMPORTANT INFORMATION
TOWN OF OAK BLUFFS

Fiscal Year 2023 Actual
Real Estate Tax Bill

Treasurer/Collector

Cheryl A. Sashin

Office Hours

Monday - Friday 8:30 AM - 4:00 PM

DO NOT MAIL CASH

Mail Payments To:

Town of Oak Bluffs
Collector of Taxes

P.O. Box 55
Medford, MA 02155-0001

Telephone Numbers:

Collector: (508) 693-3554 x209
Assessor: (508) 693-3554 x201

THIS FORM APPROVED BY COMMISSIONER OF REVENUE

TAXPAYER'S COPY

Bill No.	4066
Real Estate Tax	\$5,982.04
CPA	\$163.62
Commercial Tax	\$0.00
Special Assessments	\$0.00
Exemptions/Abatements	\$0.00
Total Tax/Spec. Assess.	\$6,145.66
Preliminary Tax	\$3,043.23
Current Payments/Credits	\$3,043.23
Past Due	\$0.00
Interest	\$0.00
Fees	\$0.00
3rd Qtr. Due 2/1/2023	\$1,551.22
4th Qtr. Due 5/1/2023	\$1,551.21

SPECIAL ASSESSMENTS

DESC	AMOUNT	DESC	AMOUNT
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Processing an application

Most applications can establish residence by a copy of IRS Form 1040.

The Assessors should establish uniform standards for what documentation (for example, driver's license) to use when an applicant has not filed Form 1040.

Trust documents need to be examined carefully to establish ownership for the purpose of the exemption.

The Assessors will need to follow up on incomplete applications.

Applications can be submitted up to the beginning of April (3 months after the mailing of the actual tax bill). **This means that the total amount of exemptions will not be known until after the tax rate for that year has been set.**

Residential exemption example 3

Assumption: 85% of single-family homes and condos are owner-occupied

Rate set by Select Board: **4%** (following example of Oak Bluffs)

Amount of exemption (estimated from FY23 values): \$49,282

Old tax rate: \$12.96

New tax rate: \$13.39

% increase: 3.3%

Effect on taxpayers

Full assessed value	Old tax	New tax (qualified)	Change	%	New tax (not qualified)	Change	%
700000	9072.00	8713.11	-358.89	-4.0%	9373.00	+301.00	+3.3%
1000000	12960.00	12730.11	-229.89	-1.8%	13390.00	+430.00	+3.3%
1169500	15156.72	14999.72	-157.00	-1.0%	15659.61	+502.89	+3.3%
1400000	18144.00	18086.11	-57.89	-0.3%	18746.00	+602.00	+3.3%
2500000	32400.00	32815.11	+415.11	+1.3%	33475.00	+1075.00	+3.3%

Residential exemption risks

Exposure to errors in estimated % of qualifying properties, tax collected over/under levy:

	30% exemption	22% exemption	4% exemption
1% error (approx. 60 parcels)	\$370,261 error	\$241,424 error	\$37,389 error
Actual 10% above estimate	N/A	\$2,414,236 shortfall	\$373,891 shortfall
Actual 4% above estimate	\$1,481,044 shortfall	\$965,694 shortfall	\$149,556 shortfall
Actual 5% below estimate	\$1,851,305 excess	\$1,207,118 excess	\$186,946 excess
Actual 10% below estimate	\$3,702,610 excess	\$2,414,236 excess	\$373,891 excess
Actual 20% below estimate	\$7,405,221 excess	\$4,828,472 excess	\$747,782 excess

Initial overlay account balance FY2023: \$2,579,699

Excess levy capacity FY2023: \$5,381,932

Possible effects of residential exemption

Reference: The Lexington Select Board's Residential Exemption Policy Study Committee (Ad Hoc), *An Examination of Residential Property Tax Exemptions for the Town of Lexington, Massachusetts*, April 2019.

Indirect effects:

Expect little impact on out-migration, demand for higher-priced homes, activity of developers.

Incentive to convert rental apartments to condos.

Incentive to convert rental houses to owner-occupied.

A shrinking rental market could increase rents.

Shift in property tax could be capitalized into home values as measured by sale prices:

- Lower-value homes would increase in price.
- Higher-value homes would decrease in price.

Capitalization would reduce the benefit to current residents and even further reduce the benefit to new buyers of lower-value homes (because of increased prices).

Estimated 28% of the residential exemption's effect would be canceled by changes in property values.

Expert panel recommended means-tested approach and greater promotion of tax deferral.

Exemptions for seniors

	Concord Means-Tested	Clause 41C	Clause 41C½
Availability	Now	Now	FY2025 or later
Number eligible	38	3	<1540 (est.)
Benefit	Up to 50% of tax	\$1000	Determined by %
Who qualifies	Minimum age 65(*), 10-year(*) domicile in MA, owner-occupant for 5 years		
Income limit, single	\$64,000	\$27,147	\$64,000
... head of household	\$80,000	\$27,147	\$80,000
... filing jointly	\$96,000	\$40,718	\$96,000
Property value limit	\$1,169,500	None	None
Other assets limit, single	\$275,000	\$55,297	None
... married	\$275,000	\$74,656	None
When total of exemptions is known	Before setting tax rate	After setting tax rate	After setting tax rate

(*) Clause 41C½ minimum age is 70 but can be reduced to 65 by Town Meeting; domicile can be reduced to 5 years.

Clause 41C½ exemption

Clause 41C½ is a statutory exemption available to all cities and towns in Massachusetts.

It is similar to the Residential Exemption, but with these differences:

- Only resident homeowners 70 years or older are eligible (can be reduced to 65 years by local option)
- Applicant must have lived 5 years in the same property
- Applicant must have lived 10 years in Massachusetts (can be reduced to 5 years by local option)
- There are income limits for eligibility (can be adjusted by local option)
- Only 5% or less of the average residential property value can be exempted (can be increased to 20% by local option)

Procedure to adopt Clause 41C½

Clause 41C½ must be accepted by a vote at the polls during a regular town election using language dictated by statute.

Town meeting may then decide

- To lower the minimum age to 65
- To reduce the in-state residence requirement to 5 years
- To raise the exemption to up to 20% of the average value
- To adjust income limits

The earliest year for which Concord could adopt Clause 41C½ is FY2025 (the tax year starting on July 1, 2024).

- Vote to accept in March 2024 town election
- Change limits as allowed by law at April 2024 Annual Town Meeting

Clause 41C½ would then replace Clause 41C, which could no longer be granted.

One town has adopted Clause 41C½

Ashland is the only municipality that has adopted Clause 41C½.

The exemption percentage is set each fall by a Special Town Meeting.

This allows the tax rate to be estimated before setting the percentage.

Figures for FY2023

Percentage	11.25%
Residential value exempted	\$62,031
Tax exempted	\$854

Clause 41C½ exemption example

Assumption: 1000 qualifying properties (est. 32% of all senior households, 17% of all residential parcels)

Rate set by Town Meeting: 8% (minimum amount to decrease tax on the median single-family home by \$1000)

Amount of exemption (estimated from FY23 values): 98,564

Old tax rate: \$12.96

New tax rate: \$ 13.14

% increase: 1.4%

Effect on taxpayers

Full assessed value	Old tax	New tax (qualified)	Change	%	New tax (not qualified)	Change	%
700000	9072.00	7902.87	-1169.13	-12.9%	9198.00	+126.00	+1.4%
1000000	12960.00	11844.87	-1115.13	-8.6%	13140.00	+180.00	+1.4%
1169500	15156.72	14072.10	-1084.62	-7.2%	15367.23	+210.51	+1.4%
1400000	18144.00	17100.87	-1043.13	-5.7%	18396.00	+252.00	+1.4%
2500000	32400.00	31554.87	-845.13	-2.6%	32850.00	+450.00	+1.4%

Clause 41C½ exemption risks

Exposure to errors in estimated % of qualifying properties, tax collected over/under levy:

Exemption type and amount	8% exemption, Clause 41C½	4% Residential Exemption (for comparison)
1% error (approx. 60 parcels)	\$77,345 error	\$37,389 error
Actual 10% above estimate	\$773,452 shortfall	\$373,891 shortfall
Actual 4% above estimate	\$309,381 shortfall	\$149,556 shortfall
Actual 5% below estimate	\$386,726 excess	\$186,946 excess
Actual 10% below estimate	\$773,452 excess	\$373,891 excess
Actual 20% below estimate	N/A	\$747,782 excess

Initial overlay account balance FY2023: \$2,579,699

Excess levy capacity FY2023: \$5,381,932

Possible effects of Clause 41C½

Direct effects:

Tax shift reducing lower-income owner-occupant senior households' tax by a large percentage while increasing other taxpayers' burden by a small percentage.

Clause 41C would no longer be available and would be entirely replaced by Clause 41C½.

The town would receive only a fixed reimbursement from the state based on the previous Clause 41C exemptions. This is estimated at \$1000 per year.

Indirect effects:

Purchasers of properties currently receiving the exemption would not qualify for the exemption (due to the 5-year occupancy requirement).

Therefore:

- Little or no incentive to convert rental apartments to condos or rental houses to owner-occupied.

- Little or no upward pressure on prices of lower-valued homes.

- Little downward pressure on prices of higher-valued homes since tax increase is small.

Comparison of alternatives

Policy	Residential Exemption implemented rapidly	Residential Exemption implemented gradually	Clause 41C½
Estimated number eligible properties	Approx. 5000	Approx. 5000	Approx. 1000
Who pays less tax	Owner-occupants of homes in lower 60% of value		Low-income seniors
How much less (first year)	\$1000-3200 decrease (below median value)	\$160-360 decrease (below median value)	>\$1000 for homes in lowest 66% of values
Who pays more tax	Non-resident owners, landlords, owners of homes in upper 30% of value		Younger homeowners, higher-income seniors
How much more (first year)	20-40% increase (non-residents)	3-4% increase (non-residents)	1.4% increase
Likely effect on values	Low-valued properties increase in value, high-valued properties decrease, effects on tax burden partially erased		Little change
Likely effect on rental availability	Reduced supply due to conversion to owner-occupied units		Little change



Town of Concord Massachusetts

Statutory Senior and Residential Exemptions

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Brendan O'Neill Kemeza

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Michael Gibbons

4-3-2023

