

Living with the Residential Exemption

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Important Dates & Information

Save the Date: "What's New in Municipal Law" Seminar

The Division of Local Services legal staff will offer its annual "What's New in Municipal Law" seminar for local officials

What is the Residential Exemption?

Enacted 1979, the residential exemption is an option under property tax classification [MGL c. 59, sec. 5C](#) that 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.

How It Works

Communities may authorize a residential exemption to all [Class One, Residential](#) properties that are principal residences of taxpayers. Prior to the Municipal Modernization Act, the exemption could not top 20% of the average assessed valuation of residential parcels. Now, exemptions cannot exceed 35% of the average assessed value of all Class One, Residential properties.

Adopting a residential exemption increases the residential tax rate. The amount of the tax levy paid by the residential class remains the same, but because of the exempted residential valuation, the levy is distributed over less assessed value. This higher rate creates a shift within the class that reduces the taxes paid by homeowners with moderately valued properties. Those taxes are then paid by owners of rental properties, vacation homes and higher valued homes.

Residential Exemption Calculation

The following steps can be used by a community to calculate the residential exemption and its impacts.

on Thursday, October 3, 2019 at the Log Cabin Banquet & Meeting House in Holyoke and Thursday, October 10, 2019 at The Lantana in Randolph.

The general session in the morning will review new legislation and recent court decisions pertaining to local government. The afternoon session will consist of three concurrent workshops that will discuss current and recurring issues of interest related to municipal finance law.

Please stay tuned for more information in future editions of *City & Town* and through DLS Alerts.

FY2020 Cherry Sheet Estimates

The Division of Local Services has posted on its website cherry sheet estimates based on the final budget signed by Governor Baker today.

[Municipal estimated receipts and charges](#)
[Regional school estimated receipts and charges](#)

Staff from the Data Analytics and Resources Bureau are available to

A = Total Residential Value
B = Total Residential Parcel Count
C = Average Residential Value
D = Selected Residential Exemption %
E = Residential Exemption
F = Number of Eligible Residential Parcels
G = Total Residential Exemption Value
H = Total Residential Value minus Exemption

The Total Residential Value (A) is divided by the Total Residential Parcel Count (B) to reach the Average Residential Value (C).

$$A / B = C$$

The Average Residential Value (C) is then multiplied by the Selected Residential Exemption % (D) to get the Residential Exemption (E).

$$C * D = E$$

The Residential Exemption (E) is then multiplied by the Number of Eligible Residential Parcels (F) resulting in the Total Residential Exemption Value (G).

$$E * F = G$$

The Total Residential Value (A) is then reduced by the Total Residential Exemption Value (G) to determine the Total Residential Value minus Exemption (H).

$$A - G = H$$

This value (H) is used to calculate the residential class tax rate. Because of the Total Residential Exemption Value (G), the residential class tax rate increases. The total tax levy for the residential class will remain the same and the property tax burden shifts.

The Division of Local Services provides an online calculator that allows communities to estimate the impacts of adopting the residential exemption. To view this resource, please [click here](#).

The Break-Even Point & the Tax Bill

answer questions or provide additional information at databank@dor.state.ma.us or (617) 626-2384.

New Local Finance Opinion: Timeliness of Property Tax Abatement Applications filed with the Local Board of Assessors

The Division of Local Services has posted on its [website](#) the following Local Finance Opinion (LFO):

[LFO-2019-2:Timeliness of Property Tax Abatement Applications filed with the Local Board of Assessors](#)

IG: Boards and Commissions - Know Your Responsibilities Training

The Office of the Inspector General will be presenting its Boards and Commissions: Know Your Responsibilities training in Littleton on August 7, 2019.

This three-hour training is essential for every member of a public governing board, as well as for public officials who regularly interact with public boards. Topics covered include:

The break-even point is the point at which the assessed valuation of a parcel without any exemption is benefit neutral. In effect, a residential property at this valuation point would pay the same amount regardless of the community’s adoption of the exemption.

The Break-Even Point (I) is calculated as the Total Residential Value (A), divided by the Number of Eligible Residential Parcels (F).

$$A / F = I$$

Once the DLS Bureau of Accounts certifies the tax rate, the exemption is applied to all eligible residential parcels. Municipalities are required to display the exemption amount on all tax bills and indicate the abatement application deadline. If a taxpayer does not receive a residential exemption, an abatement application can be submitted to the Board of Assessors within three months of the date the tax bill was mailed.

For an example of how the residential exemption impacts various properties, please see below.

Without the Residential Exemption				
	Property #1	Property #2	Property #3	Property #4
Assessed Value	\$600,000	\$746,733	\$800,000	\$700,000
Tax Rate	\$11.32	\$11.32	\$11.32	\$11.32
Tax Bill	\$6,792	\$8,453	\$9,056	\$7,924
With the Residential Exemption				
	Property #1 (below break-even)	Property #2 (break-even)	Property #3 (above break-even)	Property #4 (nonresident)
Assessed Value	\$600,000	\$746,733	\$800,000	\$700,000
Exemption	\$99,740	\$99,740	\$99,740	\$0
Net Value	\$500,260	\$646,993	\$700,260	\$700,000
Tax Rate	\$13.06	\$13.06	\$13.06	\$13.06
Tax Bill	\$6,533	\$8,450	\$9,145	\$9,142
Savings with the Exemption	\$259	\$3		
Cost with the Exemption			\$89	\$1,218

Residential Exemption Communities

Residential exemptions are voted annually. Communities that choose to adopt the exemption often have the following characteristics:

- Large cities or towns with many nonowner-occupied properties like apartment buildings

- Fiduciary duties and responsibilities
- Preventing and detecting fraud, waste and abuse
- Ethics requirements for members of boards and commissions
- Fraud Awareness Public Records Law
- Tools for effective oversight
- Open Meeting Law

If you are interested in attending, please download, complete and email the registration form to the MCPPO training email at MA-IGO-Training@state.ma.us. The registration form link can be found at <https://www.mass.gov/how-to/register-for-an-mcpo-class>.

If you have any questions, please contact MA-IGO-Training@state.ma.us. We hope to see you in class.

- Resort communities with many seasonal residents

Below is a list of municipalities with the residential exemption and the dollar impact of the exemption.

Community	Residential Exemption Percentage	Exemption \$		Community	Residential Exemption Percentage	Exemption \$	
		Amount Based on FY19 Avg. Assessed Value	Amount Based on FY19 Avg. Assessed Value			Amount Based on FY19 Avg. Assessed Value	Amount Based on FY19 Avg. Assessed Value
Barnstable	20%	\$934		Provincetown	25%	\$1,147	
Boston	35%	\$2,719		Somerset	10%	\$508	
Brookline	21%	\$2,593		Somerville	35%	\$3,105	
Cambridge	30%	\$2,232		Tisbury	18%	\$1,511	
Chelsea	30%	\$1,897		Truro	20%	\$952	
Everett	25%	\$1,468		Waltham	35%	\$2,384	
Malden	30%	\$2,158		Watertown	23%	\$1,907	
Nantucket	25%	\$1,741		Wellfleet	20%	\$833	

Many municipalities provide additional information regarding their reasons for adopting the exemption on their websites.

- Boston – *The residential exemption reduces your tax bill by excluding a portion of your residential property’s value from taxation. Last fiscal year, the residential exemption saved qualified Boston homeowners up to \$2,719.09 on their tax bill.*
- Brookline – *The intent of the exemption is to promote owner occupancy and is designed to provide a proportionately greater benefit to lower valued homes.*
- Cambridge – *The residential exemption serves to reduce the effective tax rate on lower valued properties while raising it on higher valued properties. Since the same amount is deducted from every value, its impact is greatest on the lower valued properties.*
- Malden – *The Malden City Council and the Office of the Mayor adopted the Residential Exemption which is intended to lessen the tax burden on eligible homeowners. The Residential Exemption establishes a "graduated tax", reducing the taxes of lower valued properties while increasing the taxes of higher valued properties and non-owner-occupied residential properties.*

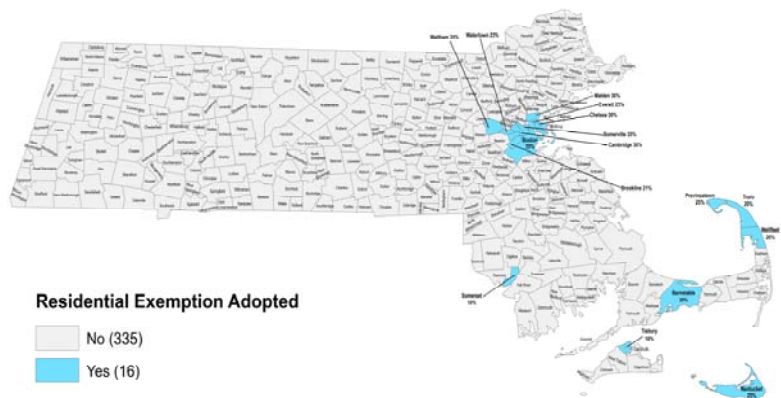


- Tisbury – *The purpose of the residential exemption is to reduce property taxes for year-round residents, particularly those with modest homes.*
- Truro – *The purpose of the residential exemption is to reduce property taxes for year-round residents.*



The below map includes each municipality's residential exemption percentage and the dollar impact of the exemption on each communities FY2019 average assessed value.

Residential Exemption as of FY2019



Other DLS Links:

[Local Officials Directory](#)

[Municipal Databank](#)

[Information Guideline
Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training
Center](#)

[Tools and Financial
Calculators](#)

To view a larger version of this map, please [click here](#).

More information on the residential exemption can be found in the Ask DLS section of the [September 1st, 2016 edition of City & Town](#).

Ask DLS: Other Post-Employment Benefits Trust Fund - Part 1

This month's Ask DLS features frequently asked questions concerning changes made by the [Municipal Modernization Act](#) (Act) to the local option Other Post-employment Benefits (OPEB) Trust Fund, [G.L. c. 32B, § 20](#) and [20A](#), as amended by [Sections 15 and 238 of Chapter 218 of the Acts of 2016](#). Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

What changes did the [Act](#) make to the OPEB statute - [G.L. c. 32B, § 20](#)?

The [Act](#) addressed a number of issues about the nature of the fund under the “old” OPEB statute. Most importantly, it clarified that the statute authorized and required the creation of a trust fund for monies reserved for retiree health insurance and other post-employment benefits. This change was to comply with legal requirements for trusts and with Governmental Accounting Standards Board (GASB) standards. In particular, the amendments:

- Establish the OPEB Fund as a trust fund with a trustee and declaration of trust
- Require assets of the OPEB Fund be held solely to meet the current and future liabilities of the governmental unit for group health insurance benefits for retirees and their dependents
- Establish procedures for the appointment of a trustee, adoption of a declaration of trust and appropriations of funds into and out of the OPEB Fund
- Authorize housing authorities, redevelopment authorities, regional councils of government, regional school districts and educational collaboratives to establish OPEB trust funds
- Allow a governmental unit to participate in the OPEB fund of another governmental unit and establish procedures to do so

What is an OPEB Trust Fund (OPEB Fund)?

An OPEB Fund is a trust fund established by a governmental unit for the deposit of appropriations, gifts, grants and other funds for the benefit of retired employees and their dependents; payment of required contributions by the governmental unit for the group health insurance benefits provided to employees and their dependents after retirement; and reduction and elimination of the unfunded liability of the governmental unit for those benefits. The OPEB Fund is an expendable trust fund, subject to appropriation, that is managed by a trustee or board of trustees. The assets of the trust are held solely to meet the current and future liabilities of the governmental unit for group health insurance benefits for retirees and their dependents. All monies in the OPEB Fund must be accounted for separately from other funds of the governmental unit and are not subject to the claims

of any general creditor of the governmental unit.

What are group health insurance benefits?

Group health insurance benefits include hospital, surgical, medical, dental and other health insurance benefits if the governmental unit offers that coverage to retirees.

Who can establish an OPEB Fund?

A city, town, county, district, regional school district, municipal lighting plant, local housing or redevelopment authority, regional council of government established under [G.L. c. 34B, § 20](#) and educational collaborative as defined in [G.L. c. 40, § 4E](#), may accept [G.L. c. 32B, § 20](#) and establish an OPEB Fund. [G.L. c. 32B, § 20\(a\)](#). Governmental units considering acceptance of [G.L. c. 32B, § 20](#) should consult with their financial advisors and municipal counsel regarding the establishment and implementation of an OPEB Fund.

How does an eligible governmental unit establish an OPEB Fund under [G.L. c. 32B, § 20](#)?

[G.L. c. 32B, § 20](#) is a local acceptance statute. Therefore, the governmental unit must vote to accept [G.L. c. 32B, § 20](#) and establish an OPEB Fund. In a city or town, acceptance must be in the manner provided in [G.L. c. 4, § 4](#), by vote of the legislative body, subject to the charter of the city or town. In a county, acceptance is by vote of the county commissioners. In a regional school district, acceptance is by vote of the regional school committee. In a district or other governmental unit, acceptance is by vote of the district meeting or other appropriating body.

What if a city or town had already accepted and established an OPEB Fund before the Municipal Modernization Act changes?

A governmental unit with an OPEB Fund established by special act or under [G.L. c. 32B, § 20](#) before the Municipal Modernization Act's amendments became effective on November 7, 2016, may accept or reaccept [G.L. c. 32B, § 20](#) after November 7, 2016. Upon acceptance or reacceptance, the unit's OPEB fund will operate under the amended [G.L. c. 32B, § 20](#). Otherwise, the OPEB Fund will continue under the terms the fund was originally established, not the amended [G.L. c. 32B, § 20](#). [G.L. c. 32B, § 20\(m\)](#). [Section 238 of Chapter 218 of the Acts of 2016](#). Governmental units with

such OPEB Funds should consult with their financial and accounting advisors and municipal counsel regarding whether to accept or reaccept the amended [G.L. c. 32B, § 20](#).

Can acceptance be revoked?

No. There is no revocation procedure in the statute. In addition, [G.L. c. 4, § 4B](#), which generally establishes a procedure for cities and towns to revoke their acceptance of local option statutes, does not apply to actions taken under [G.L. c. 32B](#). [G.L. c. 4, § 4B\(c\)](#).

Are there any notification requirements after acceptance of the OPEB Fund statute?

Yes. The clerk of the governmental unit must notify the Division of Local Services (DLS) Data Analytics and Resource Bureau if the unit accepts [G.L. c. 32B, § 20](#). The notification should be made as soon as possible after the votes. Please send an email to the Municipal Databank at databank@dor.state.ma.us.

Stay tuned for next month's *City & Town* for Part 2 in our FAQ series on OPEB. For more information, see [Informational Guideline Release \(IGR\) 19-10](#).

Data Highlight of the Month: Residential Exemption Donnette Benvenuto - Data Analytics and Resources Bureau

The residential exemption can significantly lower the annual residential tax for certain homeowners who occupy their primary residence by shifting the tax burden within the residential class. 16 Communities in the Commonwealth have adopted the Residential Exemption. Click [here](#) to view them.

To estimate the potential impact of adopting the Residential Exemption on your community, please use the Residential Exemption Calculator on the DLS Financial Tools, Calculators and Templates page found [here](#).

The data used to pre-populate the Residential Exemption Calculator such as the assessed value, parcel counts, and tax levy can be found under [Reports Relating to Property Tax Data](#).

For more information contact us directly at databank@dor.state.ma.us or (617) 626-2384.

August Municipal Calendar

1	Taxpayer	Deadline for Paying 1st Quarterly Tax Bill Per M.G.L. c. 59, § 57C , this is the deadline to pay the 1st quarter preliminary tax payment without interest for bills that were mailed by July 1. If the bills were mailed between July 2 and August 1, this payment is due 30 days after the mailing date, and the 2nd quarterly payment is due November 1. If the bills were mailed after August 1, the preliminary tax is due as a single installment on November 1 or 30 days after the bills were mailed, whichever is later.
1	Taxpayer	Deadline for Submitting Annual Boat Excise Return
10	Assessors	Deadline for Appealing EQVs to the ATB (even-numbered years only)
15	Assessors	Deadline to Vote for Optional Preliminary Tax Bills In a regular semiannual community, Assessors have until this date to vote on the option under M.G.L. c. 59, § 23D to request BOA's authorization to issue preliminary bills. After receiving approval, Assessors must submit a Pro Forma Tax Rate Recap to BOA and mail the bills by October 1.
31	Assessors and Accountant	Begin Working on the Tax Rate Recapitulation Sheet (the recap) Semiannual communities that do not send annual or optional preliminary bills should begin the recap process by this date.
31	Accountant	Close Prior-Year Books by this Date
31	State Treasurer	Notification of Monthly Local Aid Distributions , see IGR 17-17 for more cherry sheet payment information, monthly breakdown by program is available here .

To view the municipal calendar in its entirety, please [click here](#).

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Contact *City & Town* with questions, comments and feedback by emailing us at cityandtown@dor.state.ma.us.

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