



West Tisbury Board of Assessors

February 6, 2024

Assessors Staffing and Budget Needs for Potential Tax Policy Changes

We are currently evaluating three potential tax policy changes for West Tisbury: initiating a PILOT program, adopting a residential exemption, and adopting an affordable rental exemption. Each would place new demands on the assessing department. PILOTs would require fairly minimal staff time, a residential exemption would require a great deal of work for a year and some additional work thereafter, and an affordable rental exemption is less clear.

In addition, both the residential exemption and affordable rental exemption would impact the overlay, with the residential exemption coming mostly in the first year, and the affordable rental exemption being funded yearly from the overlay.

The Board of Assessors has included a budget line item to fund an 18 hour a week administrative assistant for Fiscal Year 2025. This new hire is important to the ongoing operation of the department, and in the event of the Town adopting either or both exemptions, would take the lead in qualifying taxpayers.

PILOT

Assessors assist the Select Board in establishing values for PILOT requests to exempt organizations. As these are generally based on assessed value, assessors would need to run annual reports calculating the payments due. This would require just a few hours annually. No additional money or staffing would be required in this department.

Residential Exemption

In the year prior to initiating a residential exemption, assessors should pre-qualify as many potential applicants as possible. This is done through a series of mailings, with a letter explaining the process and a blank application form. Taxpayers are instructed to return the completed application along with a copy of their latest state income tax return (to see the address they use; all income information may be redacted). Often, a driver's license or additional documentation is required.

If we assume a pool of about one thousand qualified applicants, we can expect to see well over 500 applications come in during a pre-qualification, many incomplete. Follow up is time consuming.

Further, the mailing generates large volumes of calls and walk-ins from both qualified applicants and taxpayers who do not qualify. These are generally handled by the principal assessor unless quite basic, since the residential exemption can be controversial.

The Assessors would require a part time (18 hours a week) staff member for the six pre-qualification months leading up to the classification hearing in November and for continuing to process applications through April 1st of the following year.

Depending on the size of the residential exemption and success of pre-qualification efforts, the first year impact on the overlay would run from moderate to catastrophic. For example, if 500 people pre-qualified, and the maximum 35% exemption were declared, and 500 applied after the classification hearing, the overlay would lose about \$1,500,000. With about a quarter million dollars currently in the overlay, the Town would need to eliminate the remaining deficit in the next fiscal year.

Even a 5% exemption in the first year would cost \$200,000 to the overlay if 500 people signed up after the classification hearing. That is why the pre-qualification is so important.

Maintaining a residential exemption is far easier than the initial qualification effort. Applicants only apply once, and only properties that are transferred, or where the Assessors feel the owner may have established a new domicile are reviewed each year going forward.

Affordable Rental Exemption

We don't have much clarity on the affordable rental exemption, and it is challenging to anticipate the number of qualified applicants we would receive. We estimate over 200 year-round rentals in West Tisbury, but have no way of knowing which are rented at affordable levels to renters who meet the income thresholds. The legislation allows the Town to set the affordability at a level up to 200% of AMI.

We can expect that our department would need to review applications including leases and tenant proof of income, and also calculate living area ratios of leased areas to total living area. The leases and proof of income would need to be reviewed annually.

This is the hardest tax policy choice for us to predict staffing demands. Each application is likely to take far longer than a residential exemption for approval, but there will be far fewer. Assuming no inspection of the property, and an hour spent on each application, it seems reasonable to expect at least a few weeks of full time work a year would need to be devoted to it.

Based on discussions with the Department of Revenue, the affordable rental exemption will be funded from the overlay. If 100 properties qualified and they each got \$1,000 exemption (just a what-if, the exemption is up to the Town so long as it doesn't create negative taxes), the overlay impact would be \$100,000 annually.