

# Tax Classification Overview

West Springfield Chamber of Commerce

June 6, 2001

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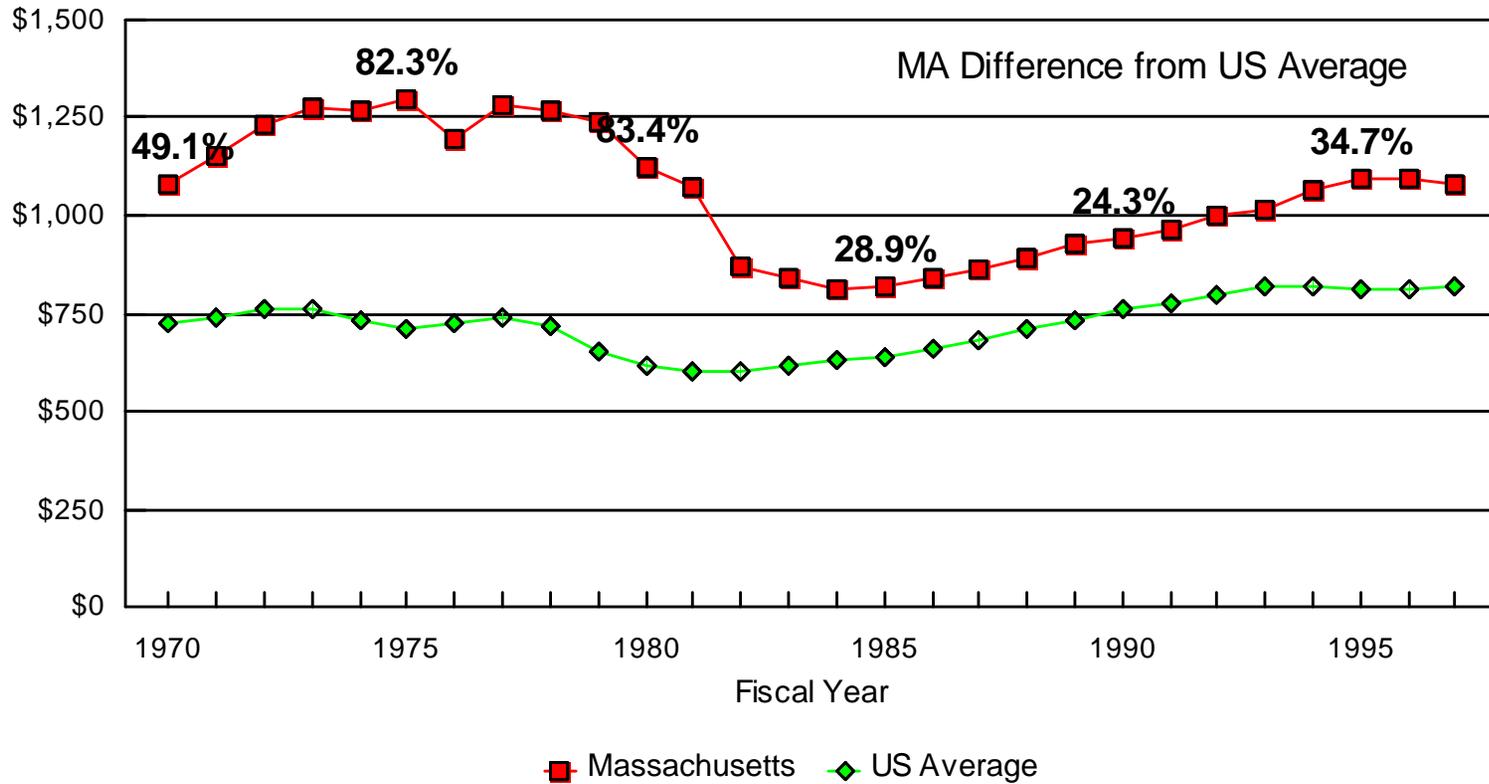
Section	Topic
1	Trends in Massachusetts Property Taxes
	C Property tax burdens: Massachusetts versus U.S.
2	Tax Classification Overview
	C History
	C 102 communities classify:
	- Ratio of business tax rate to overall average tax rate
	- Actual rates
3	Impact of Classification on Business Taxpayers
	C Share of property taxes paid in classified versus non-classified communities
	C Percent of assessed value versus percent of levy
	C Tax burden shifted to business

## Section 1

# Trends in Massachusetts Property Taxes

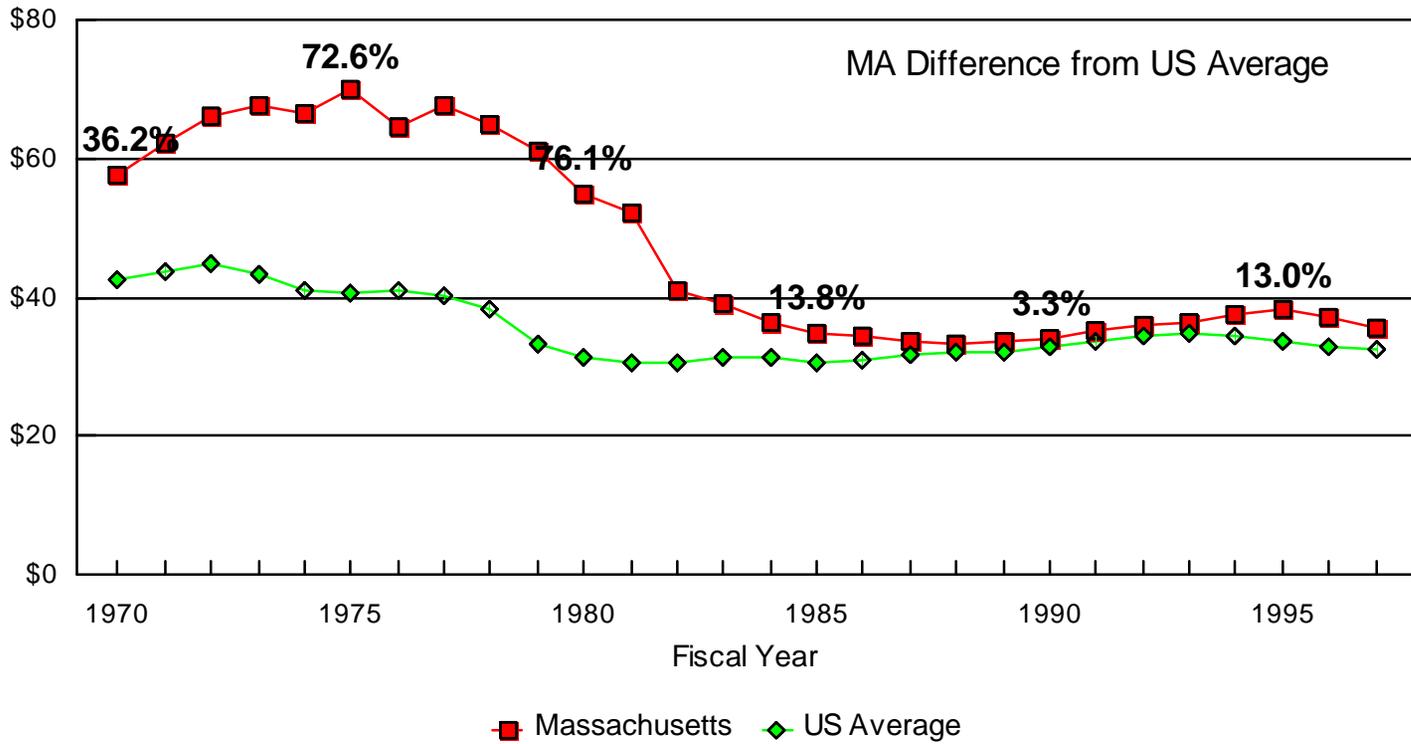
# Property Taxes -- MA vs. US

Property Taxes Per Capita in Constant 1997 Dollars



# Property Taxes -- MA vs. US

Property Taxes Per \$1,000 of Personal Income



## Section 2

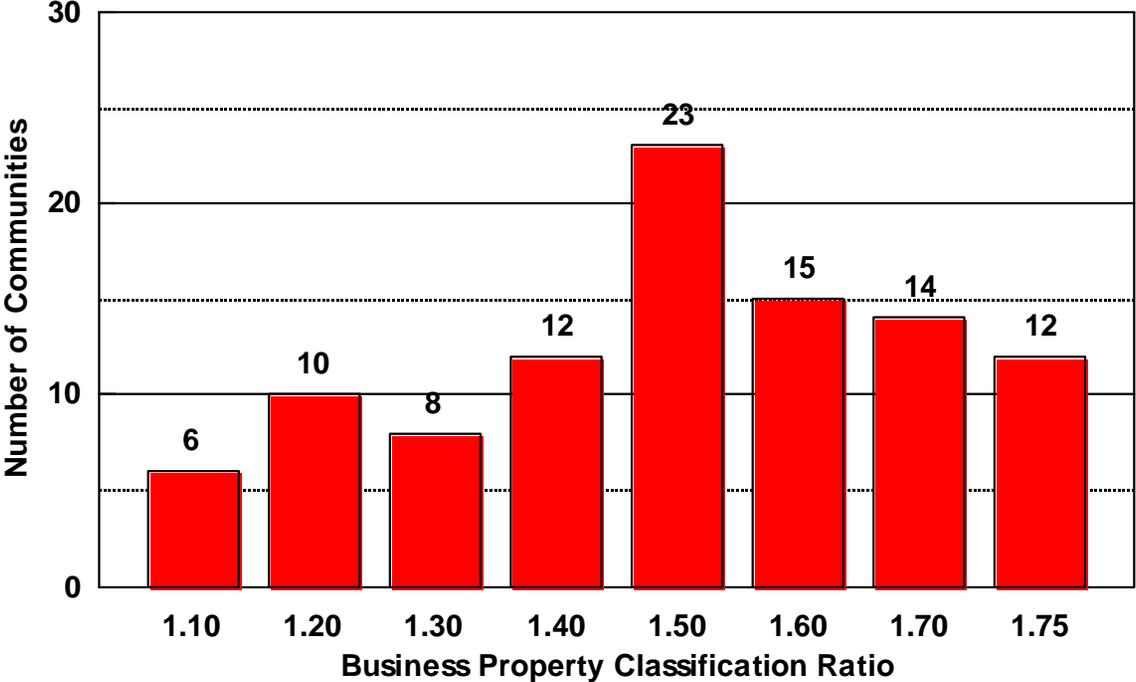
# Tax Classification Overview

## Property Tax Classification

- ! Prior to 1961, all communities taxed classes of property at a single rate, but many used differing assessment ratios (fractions of the market value) in determining the tax for the different classes.
- ! 1961 SJC decision ruled that different assessment ratios for different classes of real property were unconstitutional — all property must be assessed at 100 percent of fair market value. However, enforcement was left up to individual taxpayers bringing suit against a city or town.
- ! In 1974 Sudbury decision, SJC ruled that the still widespread practice of fractional assessments unjustly injured the taxpayers of communities that were assessing closer to full value, by decreasing their state aid distribution based upon state-determined equalized valuations. The court held that the state revenue commissioner had both the power and the duty to ensure that all communities assessed their properties at their full market value.
- ! 1978 constitutional amendment allowed four separate classes of real property to be rated and taxed differently, passing by 2-1 margin. Initial enabling legislation set fixed percentages of value at which property in each class was to be taxed: open space, 25 percent; residential, 40 percent; commercial, 50 percent; and industrial, 55 percent.
- ! 1979 legislation established tax classification essentially as it now exists: four main classes of property (plus personal property) to be taxed at 100 percent of market value. Communities could elect to tax the different classes at different rates, with a maximum shift to business of 50 percent and maximum shift from residential of 35 percent.
- ! In response to rising residential property values that were resulting in a significant shift of tax burden to homeowners in some communities, 1988 legislation
  - changed the maximum shift ratios to 75 percent and 50 percent, respectively.
  - stipulated that residential share of total levy cannot be lower than its highest share since the community's values were first certified at full and fair cash value.

# 101 Communities with Multiple Tax Rates

## By Classification Ratio, FY00



### **Classification Ratios of Selected Communities**

Agawam	1.25
Chicopee	1.50
Holyoke	1.41
Springfield	1.44
West Springfield	1.42

**FY00 Effective Tax Rates**  
**Business and Residential Properties**  
(Tax per \$1,000 Value)

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	Business	Residential	All
All communities	\$24.34	\$13.00	\$16.19
Classified communities:			
Boston	38.21	11.71	21.68
Other Classified	25.95	14.03	16.82
Not Classified	14.81	14.27	14.34

**FY00 Effective Tax Rates**  
**Business and Residential Properties**  
Selected Communities  
(Tax per \$1,000 Value)

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	Business	Residential	All
Agawam	\$20.77	\$15.00	\$16.64
Chicopee	29.54	16.65	19.69
Holyoke	32.10	15.93	22.77
Springfield	36.05	20.80	25.00
West Springfield	32.16	18.22	22.63

## Section 3

# Impact of Classification on Business Taxpayers

## FY00 Business Property Taxes Amount and Percent of Total

	Amount (millions)	Percent
All communities	\$2,273	32.0%
Classified communities:		
Boston	605	69.9
Other classified	1,277	36.2
Not classified	391	14.4

**FY00 Business Property Taxes  
Amount and Percent of Total  
Selected Communities**

	Amount (thousands)	Percent
Agawam	\$9,546	35.6%
Chicopee	14,032	35.4%
Holyoke	17,629	59.6
Springfield	40,679	39.7
West Springfield	14,175	45.0

## FY00 Business Property Taxes Share of Levy versus Share of Assessed Value

	Percent of Levy	Percent of Assessed Value
All communities	32.0%	21.3%
Classified communities:		
Boston	69.9	44.3
Other classified	36.2	23.5
Not classified	14.4	14.0

**FY00 Business Property Taxes**  
**Share of Levy versus Share of Assessed Value**  
**Selected Communities**

	Percent of Levy	Percent of Assessed Value
Agawam	35.6%	28.5%
Chicopee	35.4	23.6
Holyoke	59.6	42.3
Springfield	39.7	27.5
West Springfield	45.0	31.7

## FY00 Property Taxes Shifted To Business Relative To Uniform Property Tax Rate In Each Community

	Amount (millions)	Percent of Business Levy
All communities	\$656	28.8%
Classified communities:		
Boston	222	36.6
Other classified	434	34.0
Not classified	--	--

**FY00 Property Taxes Shifted To Business  
Relative To Uniform Property Tax Rate  
Selected Communities**

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	Amount (thousands)	Percent of Business Levy
Agawam	\$1,896	19.9%
Chicopee	4,678	33.3
Holyoke	5,125	29.1
Springfield	12,472	30.7
West Springfield	4,198	29.6