

The Annual Analysis of Tax Bill Changes.

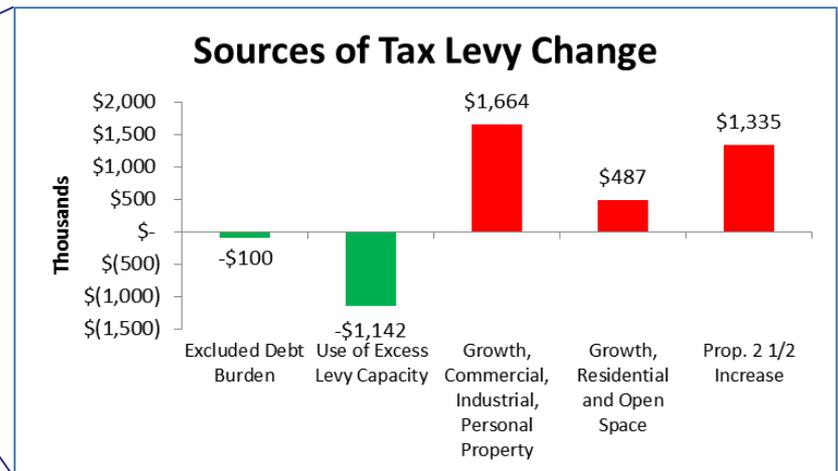
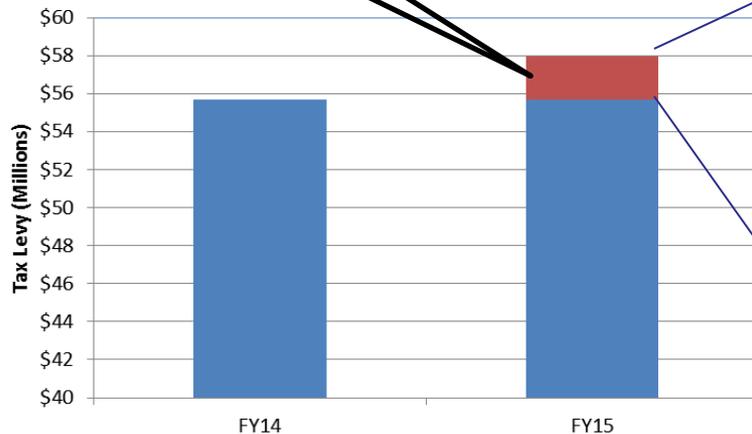
Prepared by the Bedford Board of Assessors
January 7, 2015

What caused the changes I see in my 3rd quarter tax bill?

- For the past three years the Board of Assessors produced an analysis of the changes in residential tax bills to explain the change in the tax bills from the second quarterly bill to the third. Given the positive feedback we received, we have decided to continue providing this presentation for 2015.
- Since 1988 the average percentage year-on-year growth in the tax obligation for a single family residence in Bedford has been 5.8%. It has been as high as 12% (2003) and as low as 1% (1998). For FY15 the year-on-year increase is below average at 1.7% which translates to an annual increase in the tax burden of about \$145 for the average single family home.
- The impact of the estimated billing process will translate this to a decrease between the Q2 and Q3 tax bills to about \$32 or 1.5%.
- This change in the quarterly tax bills can largely be explained by three factors.
 - Changes in the Tax Levy from FY14 to FY15
 - A shift in value to the Commercial, Industrial, and Personal Property (CIP) classes from the Residential class.
 - A significant reduction in the use of Excess Levy capacity.
- This is a discussion of the overall changes in residential tax bills. Some taxpayers may see more variation in their tax bills than average. There are valuation differences in homes driven by size, age, style, condition and location, among other factors. All of these factors will have impacts on the individual property tax bill.

\$2.24M
or 4.0%

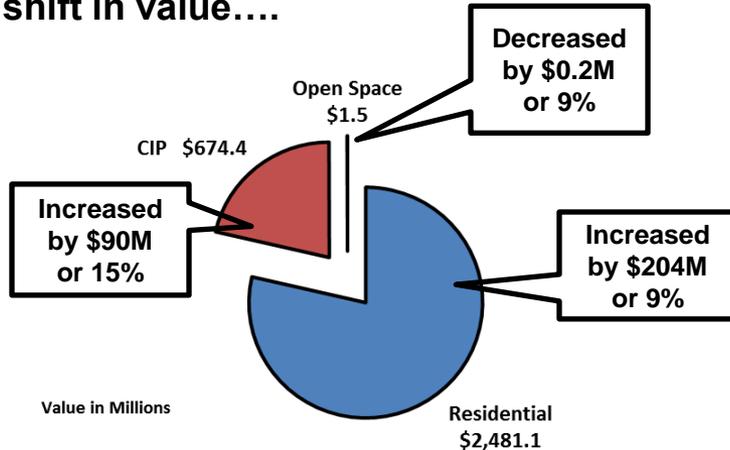
Changes in the Tax Levy



- Each year towns are allowed to increase their tax levy limit under Proposition 2½ . This year that increase accounts for about \$1.33M.
- New Growth: Growth in value due to property improvements is another allowable increase under Proposition 2½. This year New Growth for all classes accounts for about \$2.15M. In 2015 New Growth was more than \$1.09M higher than last year and approximately \$1.0M higher than the ten year average.
- It has been the Town’s policy to ask voters to approve Debt Exclusions under Proposition 2½ for large capital infrastructure projects. The 2015 level Excluded Debt that the voters approved is about \$100K less than it was in 2014. This reduction is due to the structure of the payment schedules on the Town’s borrowing for these projects. The High School project accounts for 72% of the Town’s exempt debt load for FY14, the DPW project 16%, and the Middle School Project 12%.
- In 2002 the Mitre property came off the tax rolls because their auditors determined it was improper for Mitre to voluntarily pay property taxes as they had been since the 1950’s. When that occurred, Mitre and the Town negotiated a Payment in Lieu of Taxes (PILOT) agreement that generates \$1M -1.5M in additional revenue for the Town annually. This agreement had the side effect of creating an Excess Levy Capacity under the rules of Proposition 2 ½ . In 2015 the Town was able to significantly reduce the use of this taxing capacity producing a reduction of \$1.14M in the tax levy compared to FY14 .

The Shift of Value to the Commercial, Industrial and Personal Property Classes

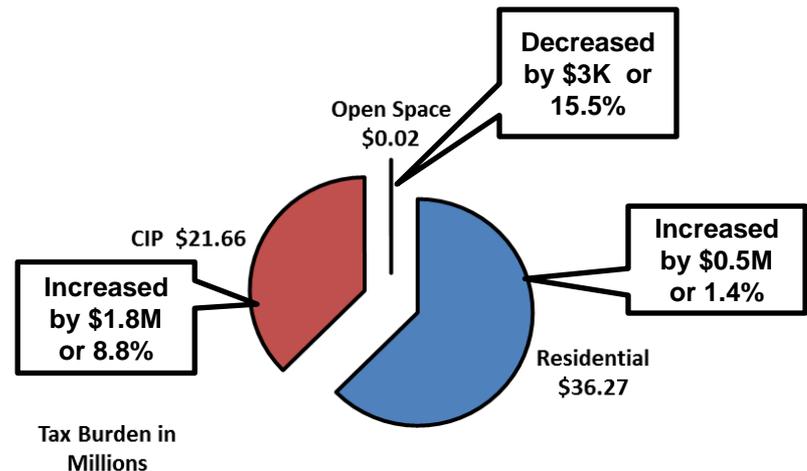
A shift in value....



The property tax burden is in proportion to the value of the property. This year robust sales caused the value of the existing residential property base in Bedford to increase (7.6%) while the values for the existing Commercial, Industrial and Personal Property classes (CIP) also increased (6.9%). New Growth for all classes represents 2.8% of the tax base and contributes about \$1.66M in taxes.

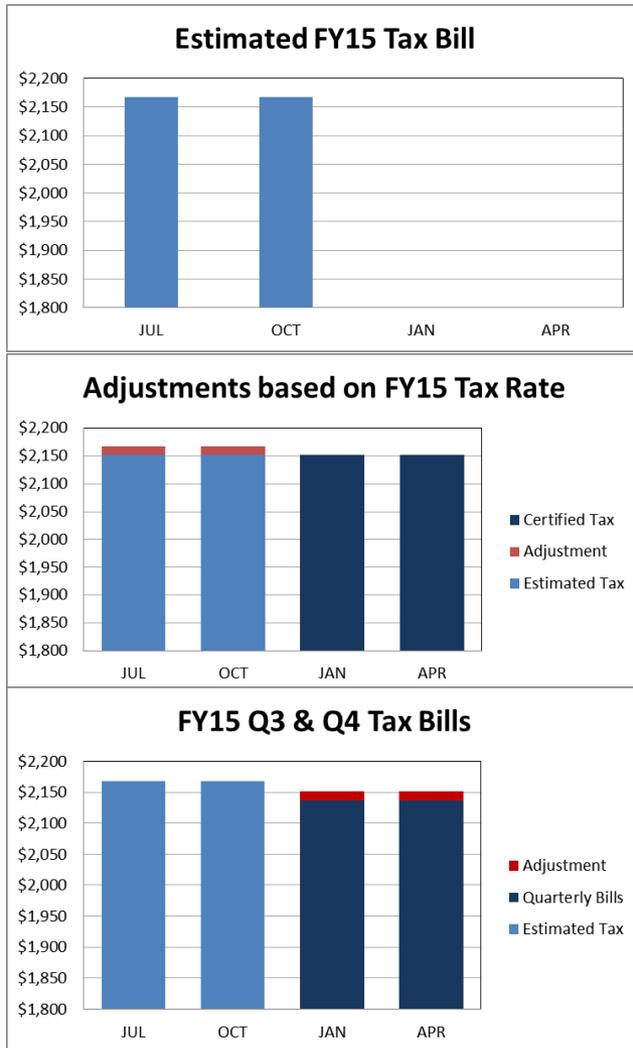
Bedford utilizes differential tax rates for CIP and Residential property. Doing so reduces the tax obligation for the average single family home in Bedford by \$2,196 in FY15. The differential tax rate also amplifies the impact of any shifts in value.

This year we saw a reversal of the twenty year trend of value shift from the CIP sector to the Residential sector. Based on staff research and benchmarking with other communities, the Board determine that a change in Personal Property consultants was warranted. This lead to significant new growth in Personal Property values. This was accompanied by value increases in existing Commercial and Industrial property.



Quarterly Tax Bill Impact

Based on the Average Single Family Residence



Because the tax rate is set in November the first two tax bills of the year are estimated tax bills; estimated based on a 2.5% increase over last year's tax bill. In FY15 that estimate was higher than the actual taxes.

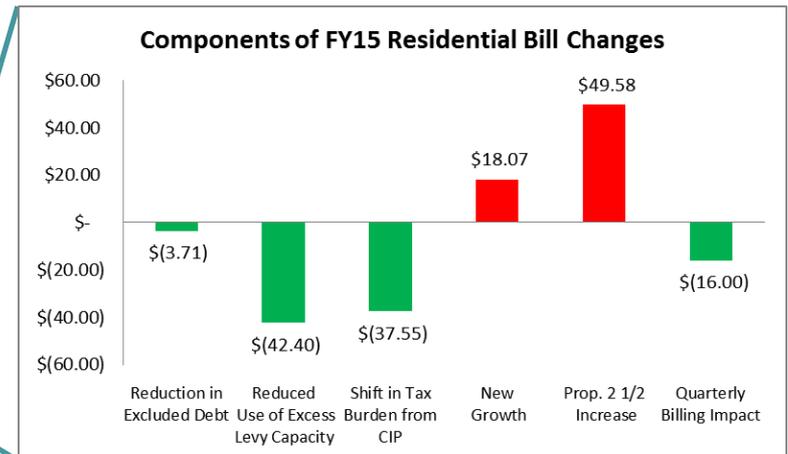
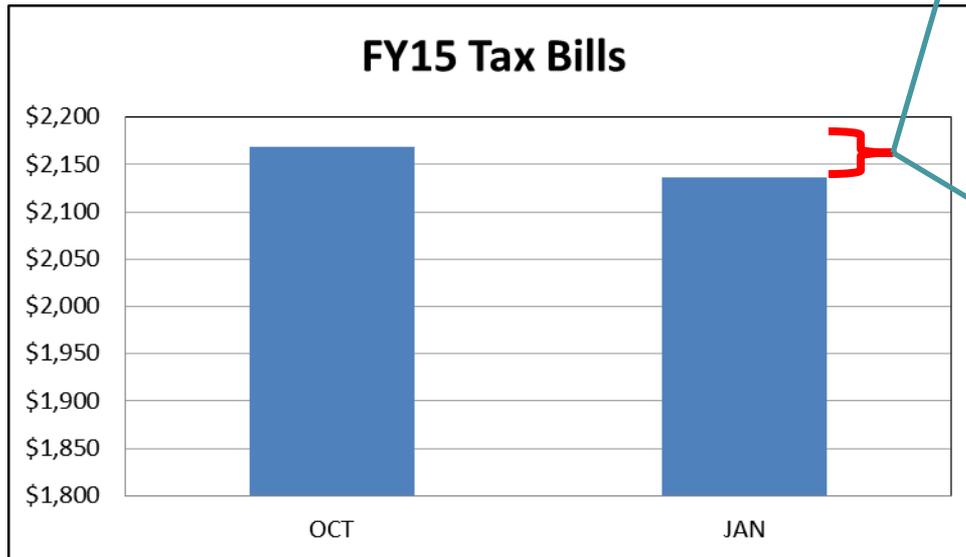
When the new tax rate is set, the actual quarterly tax obligation is calculated requiring an adjustment based on the first two bill payments

The adjustment for Q1 & Q2 is split evenly across the Q3 & Q4 bills. As a consequence an 0.7% decrease in the tax obligation appears to be a 1.5% decrease when comparing the Q2 and Q3 tax bills.

Summary:

Changes in the Tax Bill for the Average Single Family Home

The average value of the Single Family Home in Bedford increased from \$538,600 to \$588,700 from FY14 to FY15. This reflects both changes in the market and investments people have made in their homes. These changes in values are recognized when the Town's tax rate is certified by the Department of Revenue and the impact is seen for the first time in the Q3 tax bill. Individual home values will vary from this average because the market impacts different neighborhoods and housing types differently.



We hope this helps to clarify your third quarter tax bill. If you have any remaining questions please do not hesitate to contact the Assessors Office at 781-275-0046

This report was based on the analysis the Stephen Poulos, Associate Assessor and Victor Garofalo, Finance Director prepared for the FY15 Tax Classification Hearings with the Selectmen and the data in the Massachusetts Department of Revenue Tax Certification system.