

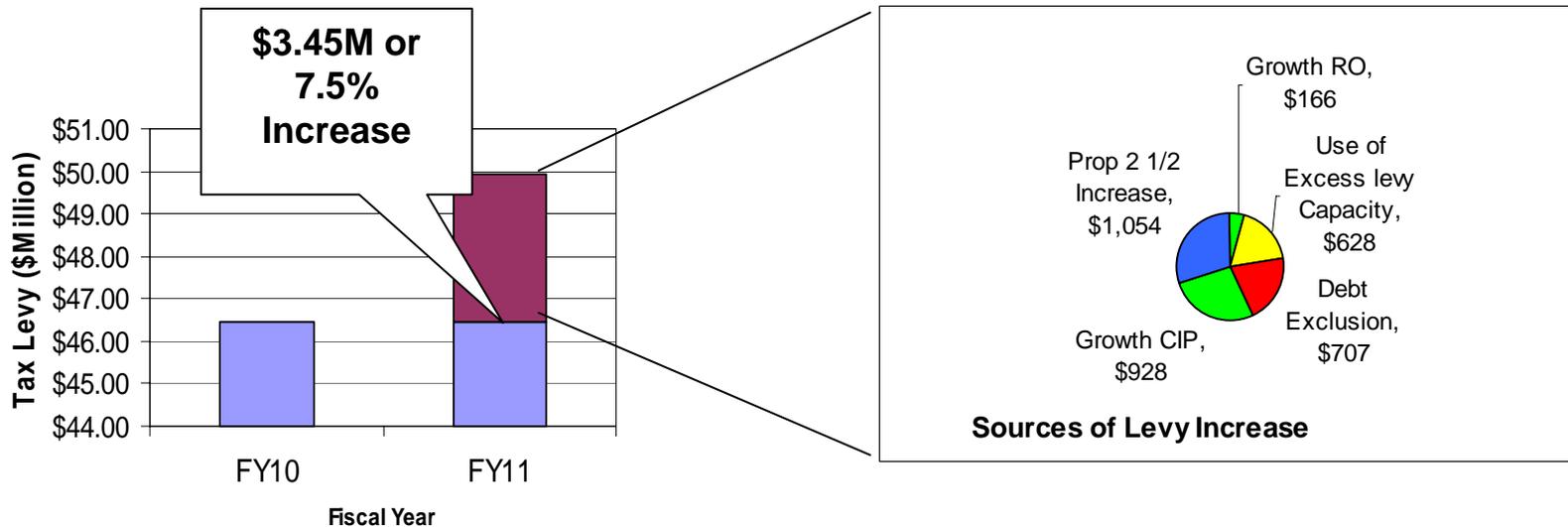
# Why did my third quarter tax bill go up so much?

Prepared by the Bedford Board of Assessors  
January 5, 2011

# Why did my Third Quarter tax bill go up so much?

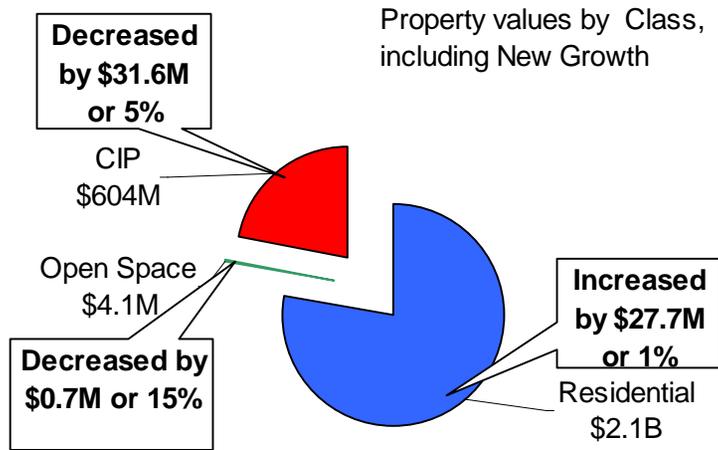
- You are very likely looking at this presentation because you noticed a considerable difference between your second quarter tax bill and your third quarter tax bill.
- Since 1988 the average percentage year-on-year growth in the tax obligation for a single family residence in Bedford has been 6%. It has been as high as 12% (2003) and as low as 1% (1998). For FY11 it is 11%.
- This increase in the tax obligation translates to a 22% increase between the Q2 and Q3 tax bills.
- This increase can largely be explained by three factors.
  - An increase in the Tax Levy from FY10 to FY11
  - A shift in value from the Commercial, Industrial, and Personal Property (CIP) classes to the Residential class.
  - The impact of Quarterly Tax billing.
- The following slides provide detailed explanations of these three factors and a summary of how they impact the tax bill.

# The Tax Levy Increase



- Each year towns are allowed to increase their tax levy under Proposition 2½ . This year that increase accounts for about \$1.1M.
- 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 \$1.1M.
- It has been the Town's policy to ask voters to approve Debt Exclusions under Proposition 2½ for large capital infrastructure projects. Excluded debt that the voters approved contributes about \$700K to this year's Levy increase. The High School project accounts for 60.5% of this, the DPW project 21.5%, and the Middle School Project 18%. This is the peak year for the excluded debt related to the High School.
- 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 of the same amount. Until this year the Town has avoided raising taxes to utilize the Excess Levy Capacity. This year the Town is opting to utilize about \$600K of this tax capability.

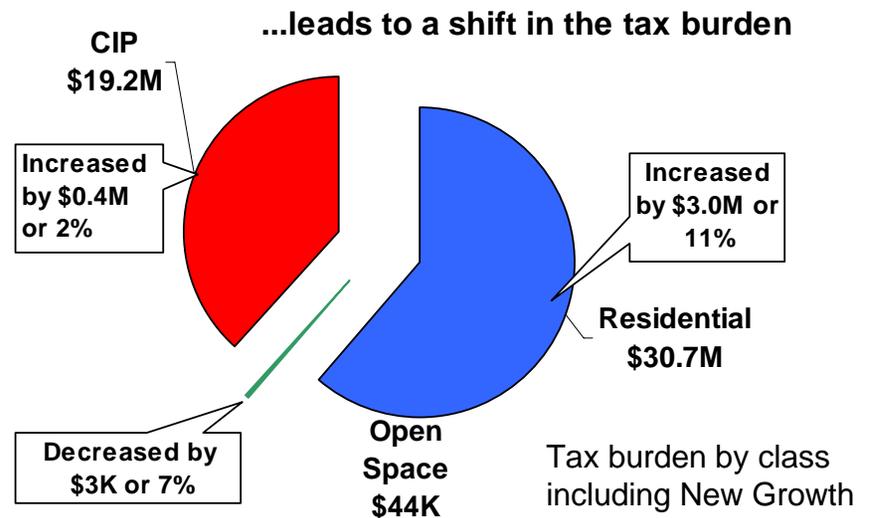
# The Shift of Value to the Residential Property Class



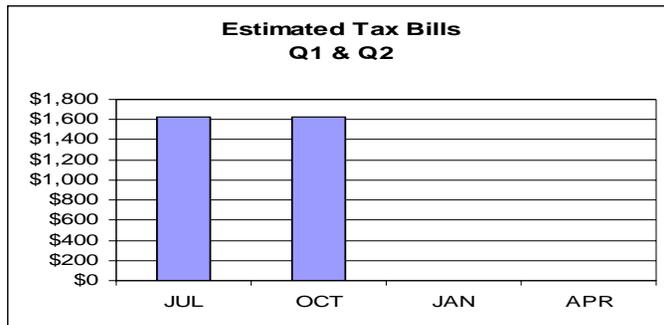
The property tax burden is in proportion to the value of the property. This year the value of the existing residential property base in Bedford increased slightly (0.8%) while the values for the existing CIP class properties fell (-9.6%). New Growth for all classes represents 1.5% of the tax base and contributes about \$1M in taxes.

## A shift in property values....

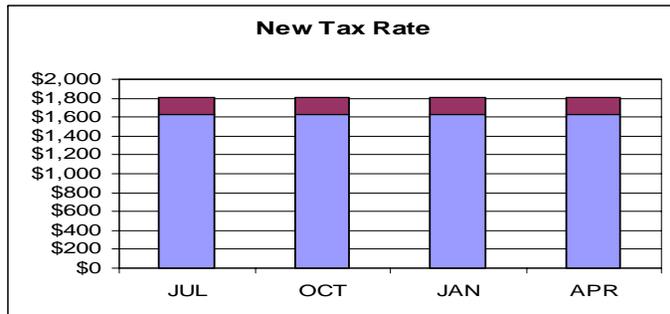
Bedford utilizes differential tax rates for CIP and Residential property. Doing so reduces the tax obligation for the average single family home in Bedford by \$1,962 in FY11. The down side of differential tax rates is that when the CIP sector loses value relative to the Residential sector as it has in FY 11, the shift of the tax burden is multiplied by the ratio of the two rates.



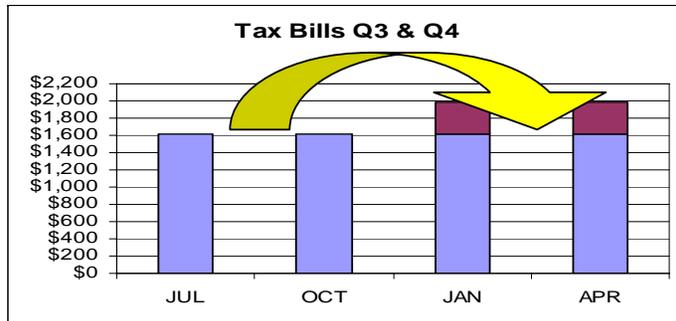
# Quarterly Tax Bill Impact



Because the tax rate is set in November the first two tax bills of the year are estimated tax bills; estimated based on last year's tax bill.



When the new tax rate is set, the actual tax quarterly tax obligation is calculated.

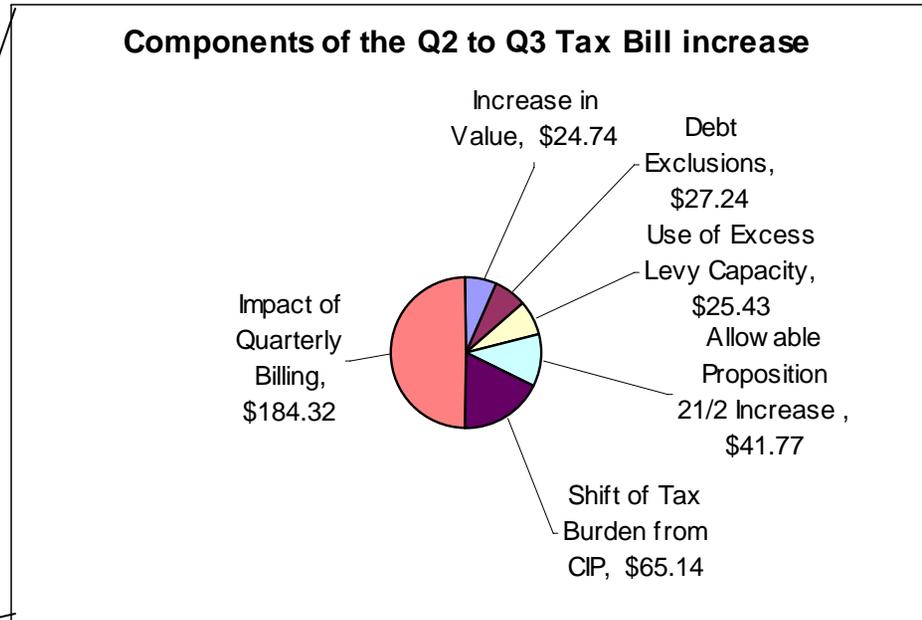
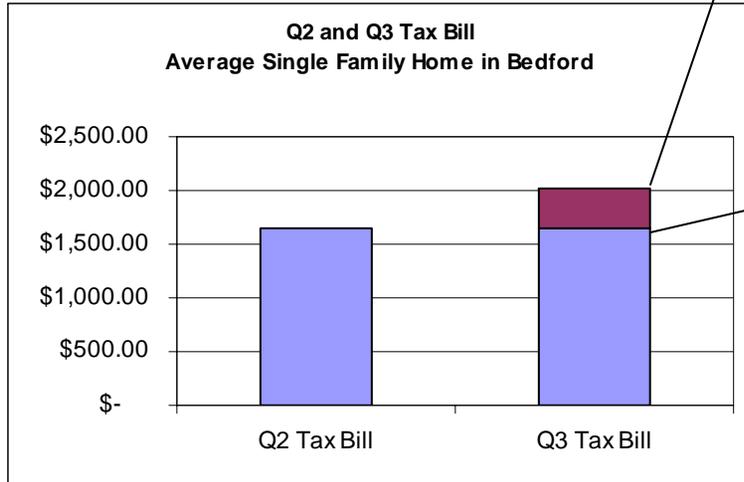


The unpaid obligation for Q1 & Q2 is split evenly across the Q3 & Q4 bills. As a consequence an 11% increase in the tax obligation appears to be a 22% increase when comparing the Q2 and Q3 tax bills.

# Summary:

## Changes in the FYQ2 and Q3 Tax Bill for the Average Single Family Home

The average value of the Single Family Home in Bedford increased from \$506,600 to \$513,500 from FY 10 to FY11. This reflects both changes in the market and investments people have made in their homes. This change in values is 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 or,  
the Finance Department at 781-275-1517

This report was based on the analysis Board member John Linz prepared for the FY11 Tax Classification Hearings with the Selectmen and the data in the Massachusetts Department of Revenue Tax Certification system.