



The Annual Analysis of Tax Bill Changes.

Prepared by the Bedford Board of Assessors
January 10, 2022

Introduction

...having been chosen to assess taxes and estimate the value of property for the purpose of taxation ... I will truly and impartially, according to my best skill and judgment, assess and apportion all such taxes ... I will neither overvalue nor undervalue any property subject to taxation – from the Assessor's oath
M.G.L. CH.41 Sec. 29

- The members of the Bedford Board of Assessors and the professional staff in the Assessors Office take the words of the oath quoted above very seriously.
- We exercise our commitment to this oath by administering the laws of the Commonwealth to the best of our ability.
- By doing so we are doing our best to insure that each taxpayer in Bedford is treated equitably.
- We believe that transparency of the process is further evidence of our commitment to an equitable process

What caused the changes I see in my 2nd & 3rd quarter tax bills?

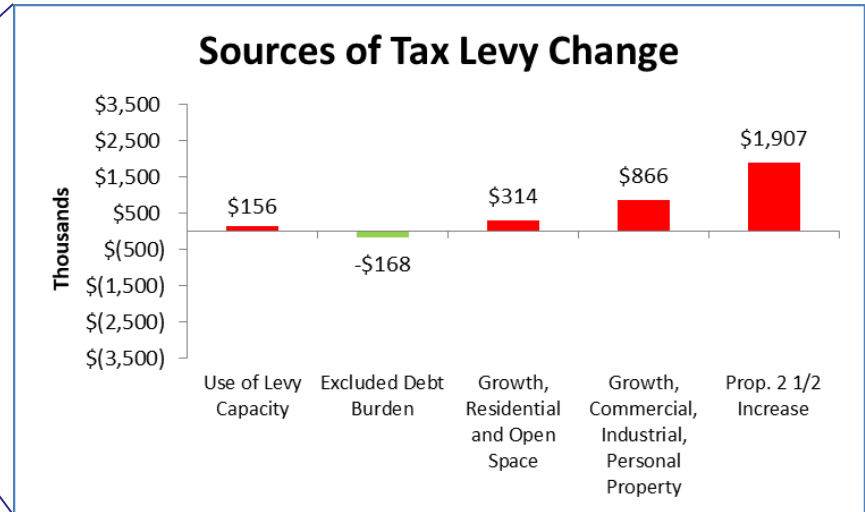
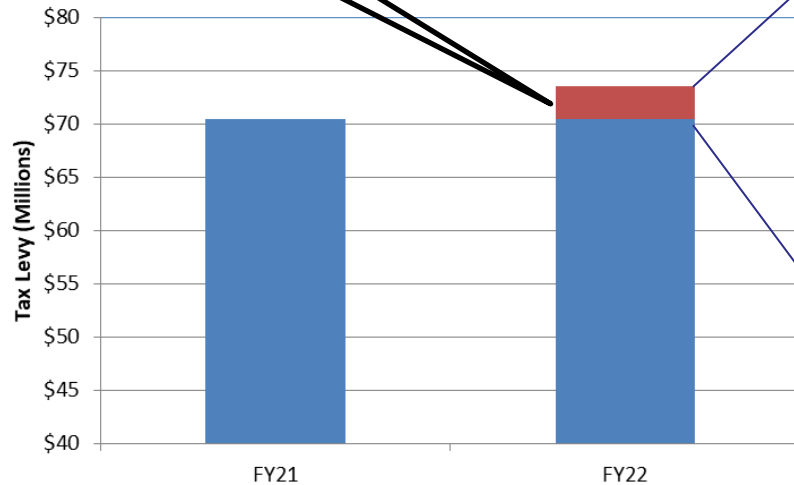
- In the past, the Board of Assessors has produced an analysis of the changes in residential tax bills to explain the change in the tax bills from the estimated tax bill to the final tax bills. Given the feedback we get from taxpayers we have decided to reprise this presentation for 2020.
- Since 1988 the average percentage year-on-year growth in the tax obligation for a single family residence in Bedford has been 5.0%. It has been as high as 12% (2003) and as low as 1% (1998, 2013). For FY22 the year-on-year change was below average at 3.3% or about \$340 for the average single family home.
- The impact of the estimated billing process will translate this to a increase between the Q2 and Q3 tax bills to about \$21 or 0.0%.

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

- The change in the quarterly tax bills can largely be explained by two factors.
 - A shift in the tax burden from the residential tax base to the commercial tax base
 - The tax levy increase allowed under Proposition 21/2.
- A small decline in Excluded Debt and a small use of the excess levy capacity to residential taxes also made minor impacts.
- Please note that 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.

**\$. 3.073M
or 4.4%**

Changes in the Tax Levy



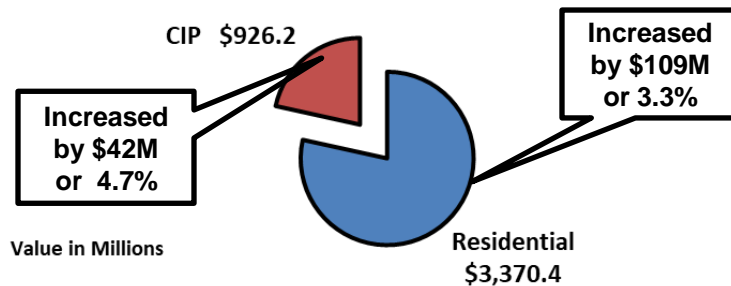
- Each year towns are allowed to increase their tax levy limit under Proposition 2½ . This year that increase accounts for about \$1.9M.
- New Growth: New Growth is growth in value due to property improvements. It is another allowable increase under Proposition 2½. New growth for FY22 was relatively robust but did not match the levels we saw in FY21. In FY22, New Growth for all classes accounts for about a \$1.2M addition to the Levy Limit. For 2022 New Growth is \$414K lower than last year but, it was approximately \$177K higher than the average for the previous ten years. New Growth for the business sector was about 276% that of the residential sector. Growth in personal property taxes made up the lion's share of the increase on the business sector.

Changes in the Tax Levy

- The Town has also built up a reserve of about \$11.2M in free cash. This reserve can be attributed to: carry over of free cash from previous years, FY21 budget reversions and local receipts. For 2022 about \$7.1M in free cash was appropriated to reduce the tax levy.
- 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 2022 the Town used \$155K of the excess levy capacity to reduce the tax levy. It should be noted that FY22 is the last year of the current Mitre PILOT agreement. The Town is currently in discussions with Mitre regarding the future of this arrangement.
- It has been the Town's policy to ask voters to approve Debt Exclusions under Proposition 2½ for large capital infrastructure projects. The 2022 level Excluded Debt that the voters approved is about \$168K less than it was in 2021. 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 76% of the Town's exempt debt load for FY22, the DPW project 17%, and the Middle School Project 7%.

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

A shift in value....



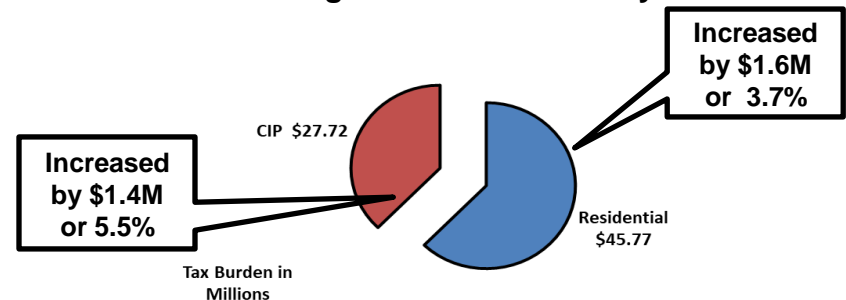
Bedford utilizes differential tax rates for CIP and Residential property. Doing so reduces the tax obligation for the average single family home in Bedford by \$2725 in FY22. The differential tax rate also amplifies the impact of any shifts in value.

This year the commercial tax base grew faster than the residential tax base driving a shift in the burden from the residential tax base to the commercial tax base.

The property tax burden is in proportion to the value of the property. This year appreciation in the existing residential property base in Bedford was \$86M or 2.6%,. Residential New Growth accounted for \$23M or 0.7% of the residential property value.

Growth in the values for the Commercial, Industrial and Personal Property classes (CIP) grew by 4.7% primarily attributable to New Growth. Increases in valuation of existing property in the Commercial and Industrial sectors (\$30.7M) were offset by depreciation in Personal Property (-\$18.0M). New Growth accounted for 3.1% of the CIP value; 84% of the CIP New Growth was personal property

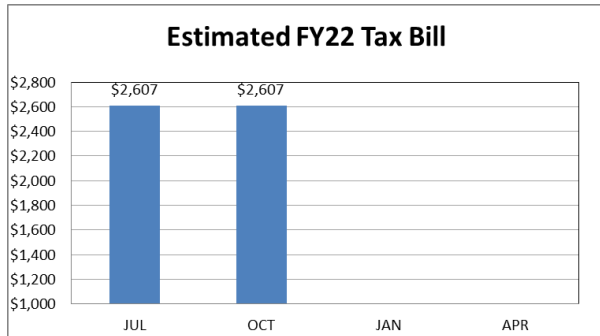
...changes the tax burden by



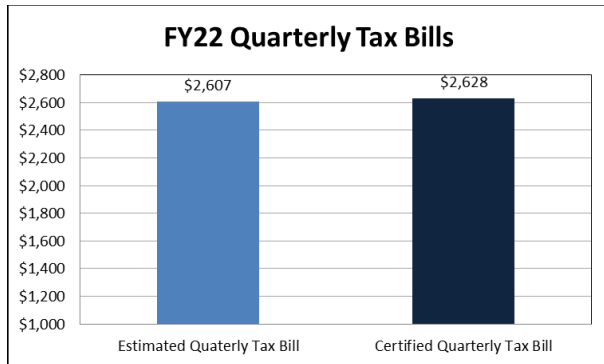
Includes New Growth

Quarterly Tax Bill Impact

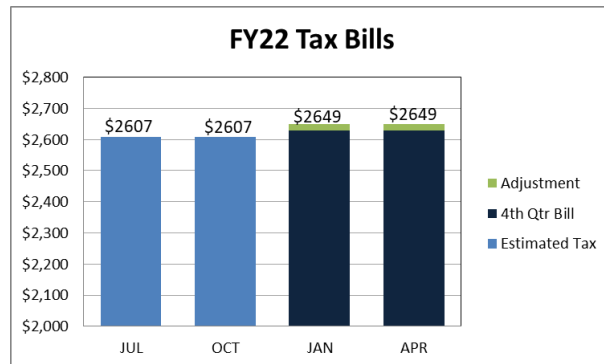
Based on the Average Single Family Residence



Standard practice is that the first two quarterly tax bills are estimated tax bills. In FY22; estimated based on a 2.5% increase over the FY21 tax bill. In FY22 the estimate was lower 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

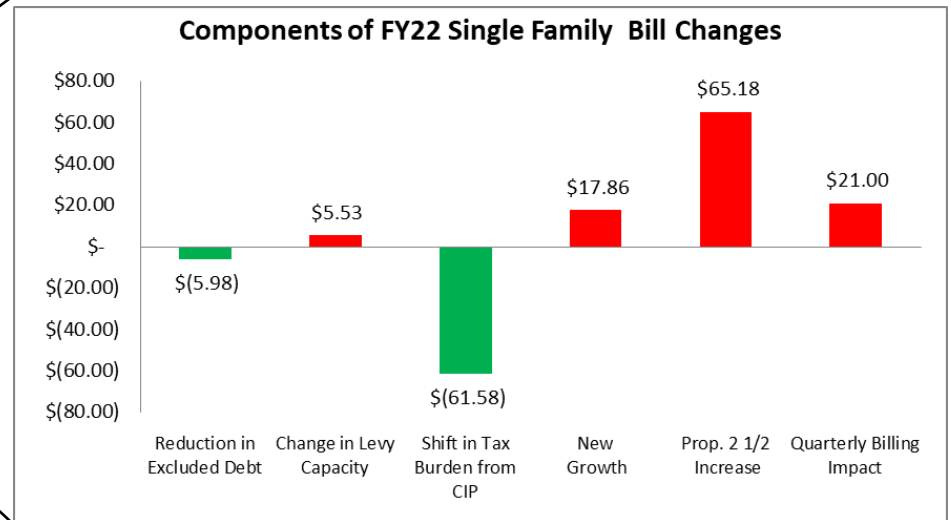
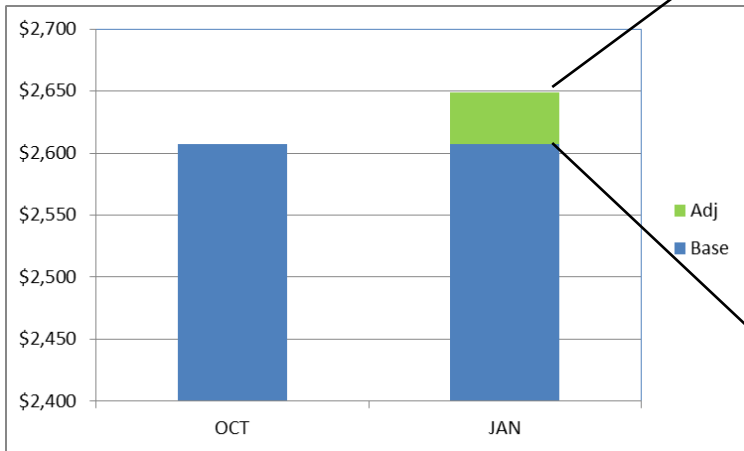


The retroactive adjustment for Q1 & Q2 is equally applied to the Q3 & Q4 bills. As a consequence a 0.8% increase in the tax obligation appears to be a 1.6% increase when comparing the Q2 and Q3 tax bills.

Summary:

Changes in the Tax Bill for the Average Single Family Home

The average value of the Single Family Home in Bedford increased from \$751,800 to \$774,100 from FY21 to FY22. 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 by David Castellarin, Finance Director and Matt Lanefski, Assessing Director prepared for the FY22 Tax Classification Hearings with the Selectmen and the data in the Massachusetts Department of Revenue Tax Certification system.