

*TOWN OF HADLEY*

*FISCAL YEAR 2024*

*CLASSIFICATION HEARING*

*NOVEMBER 15, 2023*

*PLEASE NOTE:*

*THE NUMBERS IN THIS REPORT ARE  
PRELIMINARY AND ARE SUBJECT TO  
CHANGE.*

(1)

## ASSESSORS RECOMMENDATIONS

### I. ALLOCATION OF THE TAX LEVY

*The Assessors recommended a split rate in FY2022. In FY2023, the Assessors recommended going back to a single rate. This was due to a substantial reduction in the value of commercial property for FY2022 due to the Covid-19 Pandemic. This value reduction corrected itself for FY2023 bringing the Residential percentage and the CIP percentage back to the levels that existed prior to the Pandemic. For FY2024, the Residential and CIP percentages have remained consistent with the FY2023 percentages. The Board of Assessors is recommending that a single tax rate be adopted for FY2024.*

### II. SHIFT FROM OPEN SPACE TO RESIDENTIAL CLASS

*The Board of Assessors recommends that no Open Space Discount be granted for FY2024.*

### III. RESIDENTIAL EXEMPTION

*The Board of Assessors recommends that no Residential Exemption be granted for FY2024.*

### IV. SMALL COMMERCIAL EXEMPTION

*The Board of Assessors recommends that no Small Commercial Exemption be granted for FY2024.*

(2)  
FISCAL YEAR 2024  
TAX RATE CLASSIFICATION HEARING

*According to Massachusetts General Laws, each year the Select Board must vote whether to have a single tax rate or have multiple tax rates for each of the different classes of property. Last year, the Select Board adopted a single tax rate for all classes of property. After a public hearing, the Select Board must determine the following:*

- I. The allocation of the tax levy (factoring) against the property classes for FY2024.*
  
- II. A tax burden shift from the open space class to the residential class.*
  
- III. The granting of a residential exemption of up to 35% of the average value of all owner occupied properties.*
  
- IV. The granting of a commercial exemption of up to 10% to certain small commercial properties.*

I. ALLOCATION OF THE TAX LEVY

The law allows for communities to provide some relief to both the residential and open space classes of property by adding to the other classes an amount up to 50% of what they would pay if a single rate was adopted. If the maximum shift is adopted, each property in both the residential and open space classes would pay approximately 25% less in taxes for FY2024 while the other classes would pay 50% more in taxes than if a single tax rate is adopted.

Using a single tax rate of \$11.39, if the maximum shift of 50% is adopted, the tax rates would be as follows:

<i>PROPERTY CLASS</i>	<i>TAX RATE</i>
<i>RESIDENTIAL</i>	<i>\$ 8.82</i>
<i>OPEN SPACE</i>	<i>\$ 0.00</i>
<i>COMMERCIAL</i>	<i>\$17.09</i>
<i>INDUSTRIAL</i>	<i>\$17.09</i>
<i>PERSONAL PROPERTY</i>	<i>\$17.09</i>

For the average single-family home whose assessed value is \$439,600, the taxes would drop 22.5% from \$5,007 to \$3,877 while a commercial property with the same assessed value would see an increase of 50% from \$5,007 to \$7,512.

The following chart shows what two properties, both assessed at \$439,600 would pay in taxes using four different tax rates.

*RESIDENTIAL & OPEN SPACE CLASSES*

<i>CI&amp;P %</i>	<i>100%</i>	<i>110%</i>	<i>125%</i>	<i>150%</i>
<i>R &amp; O TAX RATES</i>	<i>11.39</i>	<i>10.88</i>	<i>10.11</i>	<i>8.82</i>
<i>TAXES</i>	<i>5,007</i>	<i>4,782</i>	<i>4,444</i>	<i>3,877</i>

*COMMERCIAL, INDUSTRIAL, & PERSONAL PROPERTY CLASSES*

<i>CI&amp;P %</i>	<i>100%</i>	<i>110%</i>	<i>125%</i>	<i>150%</i>
<i>CI&amp;P TAX RATES</i>	<i>11.39</i>	<i>12.53</i>	<i>14.24</i>	<i>17.09</i>
<i>TAXES</i>	<i>5,007</i>	<i>5,508</i>	<i>6,259</i>	<i>7,512</i>

(4)

The charts below show how actual taxpayers in Hadley would be affected by an increase in the commercial industrial and personal property tax rates. Each chart is by property use and lists the total assessed value of each individual property. Each taxpayer's name has been deleted and a letter has been substituted.

*Commercial*

Owner	Com. Value	FY2023 Tax	FY2024 Single	FY2024 10%	FY2024 25%	FY2024 50%
A	587,400	6,778	6,690	7,360	8,364	10,038
B	533,100	6,151	6,072	6,679	7,591	9,110
C	939,300	10,839	10,698	11,769	13,375	16,052
D	1,170,600	13,508	13,333	14,667	16,669	20,005
E	845,000	9,751	9,624	10,587	12,032	14,441

*Residential*

Owner	Res Value	FY2023 Tax	FY2024 Single	FY2024 10%	FY2024 25%	FY2024 50%
F	349,200	3,925	3,977	3,799	3,530	3,079
G	538,300	5,875	6,131	5,856	5,442	4,747
H	410,900	4,475	4,680	4,470	4,154	3,624
I	410,000	4,538	4,669	4,460	4,145	3,616
J	424,600	4,671	4,836	4,619	4,292	3,744

This option is available to help prevent sudden shifts in the tax burden from the commercial, industrial & personal classes to the residential & open space classes. Over the last few years, the percentages of the tax levy paid by the CI&P classes have remained somewhat constant. The chart below shows the percentage of the tax levy paid by the R&O classes vs. the CI&P classes.

TAX YEAR	R&O CLASSES %	CI&P CLASSES %
FY24	68.9339	31.0661
FY23	68.9276	31.0724
FY22	69.3271	30.6729
FY21	66.4815	33.5185
FY20	65.3477	34.6523
FY19	65.4119	34.5881
FY18	65.3542	34.6458
FY17	65.0053	34.9947
FY16	65.3915	34.6085
FY15	65.5566	34.4434
FY14	65.6224	34.3776
FY13	65.8841	34.1159
FY12	66.0853	33.9147

(5)

*II. SHIFT FROM OPEN SPACE TO RESIDENTIAL CLASS*

*The law allows the town to provide tax relief to the open space class of properties by reducing the tax rate for that class by up to 25%. The amount that the open space class would be reduced by would be shifted to the residential class. If the maximum shift were adopted, the following tax rates would result:*

<i>CLASS</i>	<i>TAX RATE</i>
<i>RESIDENTIAL</i>	<i>\$11.39</i>
<i>OPEN SPACE</i>	<i>\$ 0.00</i>
<i>COMMERCIAL</i>	<i>\$11.39</i>
<i>INDUSTRIAL</i>	<i>\$11.39</i>
<i>PERSONAL PROPERTY</i>	<i>\$11.39</i>

*During the Fiscal Year 2002 Recertification, the Board of Assessors reclassified all properties that had been previously classified as open space and placed them into the residential, commercial, and industrial classes. There is currently no real property that the Board of Assessors has classified as open space in Hadley.*

III. RESIDENTIAL EXEMPTION

The Residential Exemption is a fixed dollar amount that is excluded from the valuation of each owner-occupied residence for tax purposes. This option is adopted mostly in communities that have a large percentage of vacation rental properties or second homes, such as communities on the Cape. Of the total residential class of \$873,961,700 we estimate that 1600 properties would be eligible for the exemption. The largest possible exemption that may be granted is 35% of the average residential assessed value, resulting in a possible reduction of \$141,417 of assessed value per owner occupied property. (35% of \$404,500) - the average assessed value of all residential properties) Since the sum lost by granting this exemption must be made up within the Residential Class, the balance of the levy is raised by increasing the Residential Tax Rate.

The effect of this exemption is to shift some of the burden from lower valued owner-occupied homes to higher valued owner-occupied homes and non-owner-occupied homes. Because of the increase in the tax rate, owner occupied residences valued above \$543,400 would pay more tax than would be the case if no such exemption were granted. In the case of a non-owner-occupied residence and vacant residential parcels, the tax would be approximately 35% higher.

The chart below shows what the tax rates would be if the Residential Exemption was granted.

CLASS	TAX RATE
RESIDENTIAL	\$ 15.37
ALL OTHERS	\$11.39

The chart below shows what the average house assessed at \$439,600 would pay in taxes if the full 35% exemption were to be adopted for both an owner occupied and non-owner-occupied properties.

	No Exemption	35% Exemption	\$ Change
Owner Occupied	\$5,007	\$4,583	(\$424)
Non-Owner Occupied	\$5,007	\$6,756	\$1,749



*IV. SMALL COMMERCIAL EXEMPTION*

*The small commercial exemption is an option that the Select Board has where you can exempt up to 10% of the value of commercial parcels where the following conditions are met:*

*The business has an annual average employment of no more than ten people as certified by the Department of Employment and Training,*

*and*

*The valuation of the property must be less than one million dollars.*

*If the property has more than one business operating on it, each business must have less than ten employees or the property would not be granted the exemption.*

*If this exemption is adopted, it would shift the tax dollars that the small business would be exempted from paying onto the remaining larger businesses.*

*There are 55 commercial properties in Hadley that meet both qualifications. The total exempted value amount is about \$2,228,800. This amount would have to be made up by the rest of the commercial and industrial classes, which would cause the commercial and industrial tax rates to increase to \$11.46 The chart below illustrates what both an eligible and non-eligible property valued at \$650,000 would pay with the exemption and without the exemption.*

	<i>Without Exemption</i>	<i>With Exemption</i>
<i>ELIGIBLE</i>	\$7,403	\$6,704
<i>NON-ELIGIBLE</i>	\$7,403	\$7,449

*DEFINITION OF TERMS*

*1. Residential Properties*

*A. Owner occupied & primary residence of the taxpayer.*

*B. Non owner occupied, including rental single family, multi-family, and apartment buildings.*

*C. Vacant residentially zoned land.*

*FY2024 VALUE IS \$873,961,700*

*2. Open Space*

*Land that is not otherwise classified, is in its natural condition, and is not held for the production of income. The Open Space classification is not the same as vacant land.*

*FY2024 VALUE IS \$ 0*

*3. Commercial Properties*

*Includes stores, office buildings, and all land classified under Chapters 61, 61A, & 61B.*

*FY2024 VALUE IS \$326,634,500*

*4. Industrial Properties*

*Includes those properties on which manufacturing takes place, and properties of utility companies.*

*FY2024 VALUE IS \$23,845,700*

*5. Personal Property*

*Includes the equipment of unincorporated businesses, professional offices, and utility companies.*

*FY2024 VALUE IS \$43,383,665*

*6. Residential Exemption*

*A fixed dollar amount excluded from the valuation of each owner-occupied property for tax purposes.*

*7. Minimum Residential Factor (MRF):*

*The minimum allowable percentage of the tax levy that the Residential and Open Space Classes may bear when shifting the maximum amount allowed to the other Classes.*

*THE FY2024 MRF IS % 77.4667%*

*8. Levy*

*The amount that may be raised by each Class or all Classes of property through taxation.*

*If a single rate of \$11.39 is adopted, the unused levy capacity for FY2024 will be \$1,866.*

*THE FY2024 LEVY LIMIT IS \$14,442,399*

<b>CIP Shift</b>	<b>Res Factor</b>	<b>R+O TAX RATE</b>	<b>CI+P TAX RATE</b>
1.0000	1.0000	11.39	11.39
1.0100	0.9955	11.34	11.51
1.0200	0.9910	11.29	11.62
1.0300	0.9865	11.24	11.73
1.0400	0.9820	11.19	11.85
1.0500	0.9775	11.13	11.96
1.0600	0.9730	11.08	12.07
1.0700	0.9685	11.03	12.19
1.0800	0.9639	10.98	12.30
1.0900	0.9594	10.93	12.42
1.1000	0.9549	10.88	12.53
1.1100	0.9504	10.83	12.64
1.1200	0.9459	10.78	12.76
1.1300	0.9414	10.72	12.87
1.1400	0.9369	10.67	12.99
1.1500	0.9324	10.62	13.10
1.1600	0.9279	10.57	13.21
1.1700	0.9234	10.52	13.33
1.1800	0.9189	10.47	13.44
1.1900	0.9144	10.42	13.56
1.2000	0.9099	10.36	13.67
1.2100	0.9054	10.31	13.78
1.2200	0.9009	10.26	13.90
1.2300	0.8963	10.21	14.01
1.2400	0.8918	10.16	14.13
1.2500	0.8873	10.11	14.24
1.2600	0.8828	10.06	14.35
1.2700	0.8783	10.01	14.47
1.2800	0.8738	9.95	14.58
1.2900	0.8693	9.90	14.70
1.3000	0.8648	9.85	14.81
1.3100	0.8603	9.80	14.92
1.3200	0.8558	9.75	15.04
1.3300	0.8513	9.70	15.15
1.3400	0.8468	9.65	15.26
1.3500	0.8423	9.59	15.38
1.3600	0.8378	9.54	15.49
1.3700	0.8333	9.49	15.61
1.3800	0.8287	9.44	15.72

<b>CIP Shift</b>	<b>Res Factor</b>	<b>R+O TAX RATE</b>	<b>CI+P TAX RATE</b>
1.3900	0.8242	9.39	15.83
1.4000	0.8197	9.34	15.95
1.4100	0.8152	9.29	16.06
1.4200	0.8107	9.24	16.18
1.4400	0.8017	9.13	16.40
1.4500	0.7972	9.08	16.52
1.4600	0.7927	9.03	16.63
1.4700	0.7882	8.98	16.75
1.4800	0.7837	8.93	16.86
1.4900	0.7792	8.88	16.97
1.5000	0.7747	8.82	17.09

ADDENDUM A - FY2023 AVERAGE SFR TAX BILL

Community	FY23 Average SFR Value	FY23 Average SFR Bill	FY23 Res Tax Rate	FY23 Com Tax Rate	FY23 SINGLE RATE	FY23 SINGLE RATE TAX BILL
Amherst	446,953	8,984	20.10	20.10		8,984
Northampton	424,527	6,725	15.84	15.84		6,725
Westfield	308,089	5,231	16.98	33.52	19.83	6,109
South Hadley	332,999	5,135	15.42	15.42		5,135
Sunderland	381,520	4,883	12.80	12.80		4,883
Hatfield	370,459	4,994	13.48	13.48		4,994
West Springfield	288,156	4,478	15.54	30.58	19.92	5,740
Hadley	418,761	4,994	11.54	11.54		4,994
Easthampton	342,296	5,015	14.65	14.65		5,015
Holyoke	236,262	4,432	18.76	40.17	23.62	5,580
Chicopee	252,048	3,819	15.15	32.83	18.76	4,728
Springfield	215,652	3,667	17.05	36.40	2151	4,638

Split rate communities' single rate is calculated from their FY2023 RECAP Sheets

The Adj SFR Bill recalculates what each community Average SFR would be if they had a single rate.

5 split rate communities' single rate avg sfr = \$5,359 \$365 more than Hadley

5 split rate communities' split rate avg sfr = \$4,325 \$669 less than Hadley