

# Understanding FY 2022 Tax Increase

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Select Board Meeting

November 15, 2021



# Property Tax Classifications and the Shift

Andover has three (3) classifications of taxable property

- Residential
- Commercial/Industrial
- Personal Property



Andover has a **split tax rate**, meaning that commercial and industrial property taxpayers pay a higher rate and share more of the overall tax burden

**Tax Shift** = How much of the overall tax burden is shifted to CIP.

- Current shift is 159.0/175.0

**Levy Share** = The percentage of each classification as part of the total **tax levy** (total of all taxes)

Classification	FY 2021	% of Total Levy (Levy Share)
Residential	\$7,340,698,246	81.31%
Commercial	\$632,912,993	7.01%
Industrial	\$681,028,200	7.54%
Personal Property	\$373,031,118	4.13%

# How Values & Assessments Impact the Average Tax Bills

All properties in each classification are valued (assessed) based on fair market value

Values are certified by the Department of Revenue on an annual basis

Annual changes (+/-) in values can have a dramatic impact on the average tax bill



# How Values & Assessments Impact the Average Tax Bills

If the value of property in each classification increases or decreases uniformly, the increase in the average tax bill will be most uniform across classifications. Changing the shift to create a uniform increase would not be necessary under this scenario.

If the value of property in each classification increase or decrease disproportionately, one classification may increase its portion of the overall tax levy. This would result in a change in levy share across classifications.

The classification that is increasing its portion of the levy share will typically result in the highest increase to the average tax bill. This can be corrected by adjusting the shift.



# FY 2022 Changes in Values in Andover

Classification	% Change
Residential	8.80%
CIP	-0.80%

Highest Increase in Residential Values since 2003

Classification	% Change
Residential	8.80%
Commercial	-1.13%
Industrial	6.75%
Personal Property	-14.48%

	FY 2021	FY 2022	\$ Change
Average Single Family Home	\$695,153	\$759,456	\$64,303



# How the changes in values impact each classifications percentage share of the total levy (levy share)

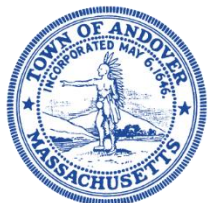
Classification	FY 2021	% of Total Levy (Levy Share)	FY 2022	% of Total Levy (Levy Share)	Change in Percentage of Total Levy (Levy Share)
Residential	\$7,340,698,246	81.31%	\$7,986,757,090	82.69%	1.38%
Commercial	\$632,912,993	7.01%	\$625,781,847	6.48%	-0.53%
Industrial	\$681,028,200	7.54%	\$726,997,300	7.53%	-0.02%
Personal Property	\$373,031,118	4.13%	\$319,029,130	3.30%	-0.83%



# What would happen to the average single family tax bill in FY 2022 if we kept the current shift? (159/175)

Classification	% Change
Residential	7.39%
Commercial	1.13%
Industrial	4.22%

What would happen to the average single family tax bill if the Board votes to change the shift?



# What would happen to the average residential tax bill if the Board votes to change the shift?





# What will happen to the average tax bill if each classification maintains the same levy share (% of total levy) as FY 2021?

The shift would have to be increased from 159 to 171.5. The increase in the average residential tax bill would be 4.2%

Classification	% Change
Residential	4.20%
Commercial	9.10%
Industrial	12.40%

Classification	FY 2021	% of Total Levy (Levy Share)	FY 2022	% of Total Levy (Levy Share)	Change in Percentage of Total Levy (Levy Share)
Residential	\$7,340,698,246	81.31%	\$7,986,757,090	82.69%	1.38%
Commercial	\$632,912,993	7.01%	\$625,781,847	6.48%	-0.53%
Industrial	\$681,028,200	7.54%	\$726,997,300	7.53%	-0.02%
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# How does this compare to initial projection?

	Initial Projection	Maintain Shift	Maintain Levy Share	Max Shift	Most Uniform
Average Tax Bill	\$11,022	\$11,415	\$11,073	\$10,974	\$11,088
% Increase	3.7%	7.7%	4.2%	3.2%	4.3%
\$ Increase	\$393	\$785	\$444	\$345	\$459

**FY 2022 Budget Letter:** *This projection is subject to the actual valuation of property in each classification, the tax shift as applied by the Select Board and each classification's share of the total levy. These factors will not be determined until the tax classification process concludes in December of 2021.*



# Has this happened before?

Fiscal Year	% Increase in Average Res. Tax Bill	\$ Increase in Average Res. Tax Bill	
2003	9.60%	\$480	Residential values increased 9% more than all other classifications
2005	5.20%	\$298	Residential values increased 6.12% while all other classifications realized a decrease in values
2006	6.50%	\$392	Residential values increased 8.61% while all other classifications realized a decrease in values
2008	2.10%	\$141	Residential values increased 3% while personal property values increased 23.62%
2010	2.62%	\$185	Residential values increased 2.97% while personal property values increased 14.18%
2017	2.52%	\$225	Residential values increased 3.67% while personal property values increased by 20.99%
2020	2.50%	\$250	Residential values increased 3.28% while personal property values increased by 25.43%

	Most Similar to FY 2022
	Reverse to FY 2022

**Yes.** Since 2003, this has happened every year when there is disproportional growth (+5%) in values across classifications. When residential values increase by greater than 5% more than other classifications, the average tax bill has always been higher than the 10 year average increase. When another classification increases by more than 5%, the average tax bill has always been lower than the 10 year average increase.



# Applying the Max Shift – 175.0

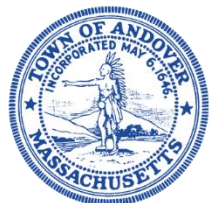
- 58 municipalities have the ability shift to 175.0
  - 31 of 51 shift to 175.0
  - 41 of 51 shift to at least 170.0
  - **Comparable AAA communities (170.0+)** : Brookline, Lexington, Needham, Bedford (Lex, Needham & Bedford shift to 175.0)
  - **Comparable Geographical communities (175.0)** : Woburn, Billerica, Peabody, Wilmington, Lowell, Malden, Medford, Stoneham, Wakefield, Lawrence
  - Of the communities that have the ability to shift to 175.0, Andover is sixth lowest at 159.0
    - Hopedale, Swansea, Milton, Ayer, Milford and Tewksbury have lower shift than Andover



# The Tax Rate, Spending and Excess Levy Capacity

- The **Tax Rate** will actually decrease from \$15.29 to \$14.60 per thousand if the most uniform tax increase is adopted.
- The FY 2022 Tax Rate will fund the appropriations from the June 5, 2021 Town Meeting.
- The Town will not tax to the levy limit
  - Budgeted \$300,000 in Excess Levy Capacity
  - Actual Excess Levy Capacity is \$450,000

	Approved Budget	Actual Recap
2.50% Increase	\$3,926,083	\$3,926,083
Excess Levy Capacity	(\$300,000)	(\$450,000)
Amount to be Raised	\$3,626,083	\$3,476,083



# Summary

- The average single family home value will increase from \$695,153 to \$759,456 (\$64,303)
- If the most uniform increase is adopted, the average residential tax bill will increase by 4.3% (\$459)
- This increase is 0.6% (\$66) more than initial projection
  - Initial projection did not assume disproportional growth in values across classifications

