

# Tax Classification Hearing

11/14/2017

Tax policy for the Town of Wareham FY2018



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The purpose of this hearing is to determine whether the Town will continue to utilize a single tax rate for all classes of property or to split the tax rate, shifting the burden toward the Commercial, Industrial and Personal Property(CIP) from the Residential class.

All values and conclusions are currently based on values which have approval from the Department of Revenue. The vote taken this evening will stand. Based on our current information, the tax rate is estimated to be \$11.28/1000.

Generally, an 80% Residential vs 20% CIP share of the overall property makeup is considered the minimum division at which to consider a split tax rate. This is due to the fact that with a CIP share lower than 20% results in a very small benefit to the residential and a larger burden for the CIP taxpayer without proper support from the tax base.

Fiscal Year	Residential Ratio	CIP Ratio
2018	82.3	17.7
2017	82.1	17.9
2016	81.6	18.4
2015	82.1	17.9
2014	81.5	18.5
2013	82.0	18.0
2012	83.2	16.8

I have illustrated the shift and Residential savings vs the increased CIP burden for a range of options on the following page.

For our examples, I have used our current average residential value of \$258,000 and a commercial value of \$660,000 as benchmarks.

## Classes



### Residential

Single Family

Condominiums

Mobile Homes

Multi-family

Apartments

Residential Land

Commercial, Industrial and Personal Property

Office and Retail

Industrial & Manufacturing

Commercial & Industrial zoned Land

Chapter Land

Personal Property

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SHIFT	Res Rate	Res Tax	CIP Rate	CIP Tax
1.0	11.28	2,910	11.28	7,445
1.10	11.04	2,848	12.41	8,191
1.25	10.67	2,753	14.10	9,306
1.50	10.07	2,598	16.92	11,167

Note: Tax rate is per 1,000. Ex.  $258,000/1000 = 258 \times 11.28 = 2,910.24$  rounded \$2,910

At the lowest shift point of 1.10, the residential property would save \$62 and the Commercial/Industrial bill would increase \$746.

At the highest possible shift of 1.50, the residential property would save \$362 and the Commercial/Industrial bill would increase \$3,722.

### SUMMARY AND CONSIDERATIONS

- A split rate does not increase revenue, it simply shifts the tax burden
- A shift would make Wareham less attractive to businesses
- The shift would impact summer residents, as their personal property taxes would increase
- Many of the Town's commercial properties are leased. Landlords typically pass the increases on to tenants, thus impacting our smaller businesses, which are typically locally owned.
- There would be increased administration costs to implement and maintain split rate valuation and tax billing