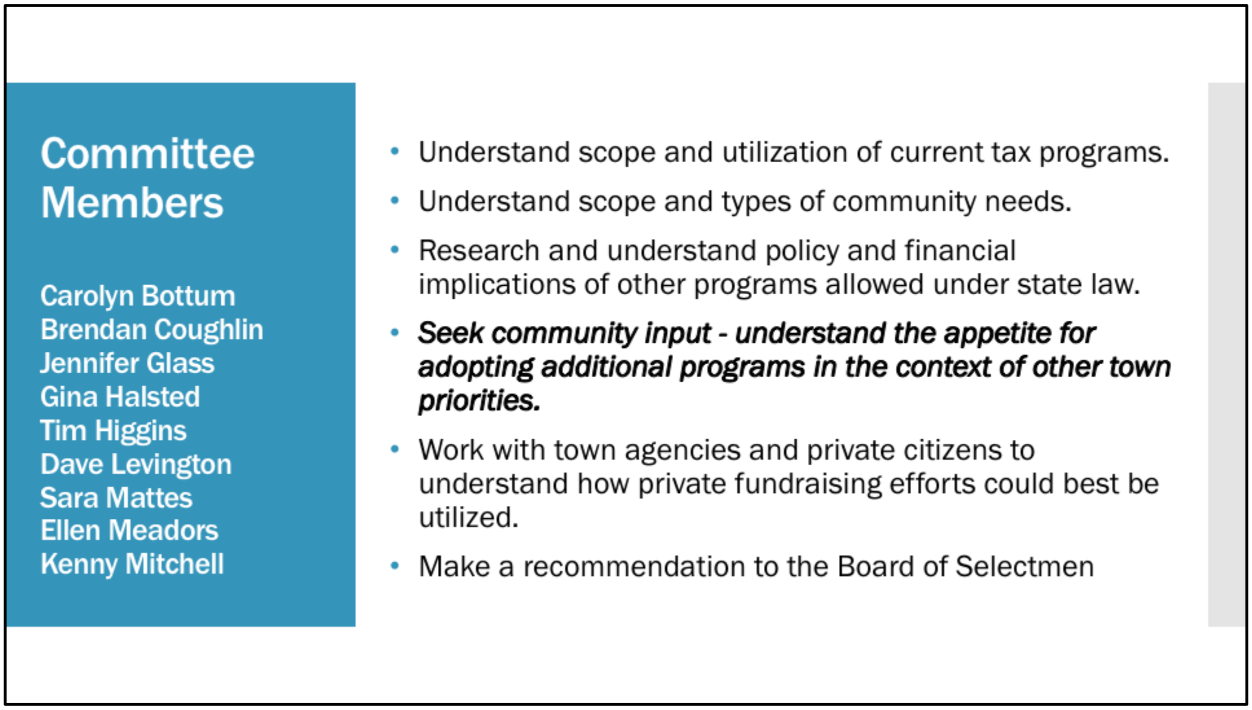
Property Tax Study Committee

Public Forum #2

October 15, 2019



9 months ago, the Committee was formed to address community concern about the impact of the school bond on financially vulnerable residents.

Our charge asks us to investigate tax tools, explain them to the community, gather feedback, and then make a recommendation to the Selectmen.

Town of Lincoln Vision Statement

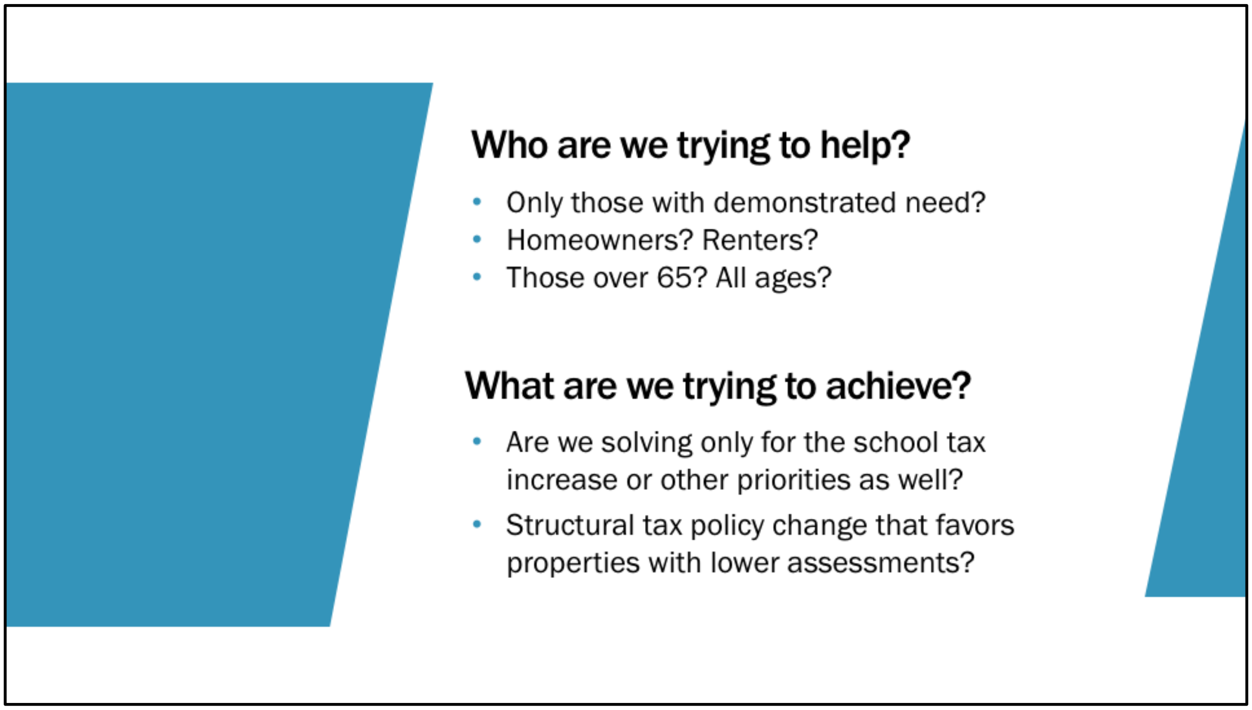
Lincoln is a town that cherishes its rural, agricultural character, its small town heritage, its open space, and its historical legacy. The town is committed to:

- **Achieving a balance between preserving these values while making reasonable provision for citizens' safety and convenience;**
- **Fostering economic, racial/ethnic, and age diversity among its citizenry through its educational, housing, and other public policy;**
- **Excellence in its public educational system;**
- **The Town Meeting form of government and the traditions of civic leadership and volunteer public service.**

The preamble to our charge asks us to consider the impacts of these programs within the framework of the town's vision and values.

And so this presentation begins with our town vision statement, which serves as a touchstone whenever we consider changes to public policy.

As we have done our work, the questions raised in our group have not been easy, and we are pleased this evening to invite the town into our circular conversation.



There are two big questions: “Who are we trying to help? and “What are we trying to achieve?

When we consider the town’s vision statement, How do our choices about tax policy fit into community goals? Should we focus on Lincoln’s most vulnerable citizens, or are we trying to use tax policy more broadly to support economic diversity?

Like any important town decision, the conversation is complex and there are tradeoffs.

FY20 Tax Bills

Annual Residential Tax Bill Increase

Using FY2019 Valuations

	Borrowing Amount	Interest Rate	Tax Impact for Median Taxpayer	Percentage Increase over FY19
Scenarios presented at Dec 1, 2018 Special Town Meeting	$ 88,500,000	4%	$ 2,415	17.2%
		5%	$ 2,717	19.4%
School Bond Issuance on Feb 20, 2019	$ 80,000,000	3.38%	$ 2,026	14.5%
FY20 Proposed Budget excl Bonding			$ (245)	-1.7%
Total Estimated FY20 Tax Bill Increase			$ 1,781	12.7%
Scenarios for final "cleanup" borrowing sometime in 2021	$ 8,500,000	4%	$ 232	1.7%
		5%	$ 261	1.9%
Ultimate Total Tax Bill Increase		4%	$ 2,013	14.4%
		5%	$ 2,042	14.6%

Median Taxpayer: 2019 Tax Bill of $14,008

This is the analysis provided by the Finance Committee in February.

Last December, when the town voted to authorize borrowing up to $88.5M for the school project, FinCom estimated it would add an average of 17%-19% to the median tax bill.
When we went out to bond for the bulk of the project, $80M, we were fortunate to secure an interest rate of 3.38%.

Based on that interest rate and the FY20 budget, FinCom estimated a 12.7% increase in property taxes for FY20.

Adding in the final “clean-up” bond that will be put out to bid sometime in 2021, FinCom predicted the project would add up to an average of 14½% to the median tax bill, which is 3-5% better than the numbers we saw when we voted last December.

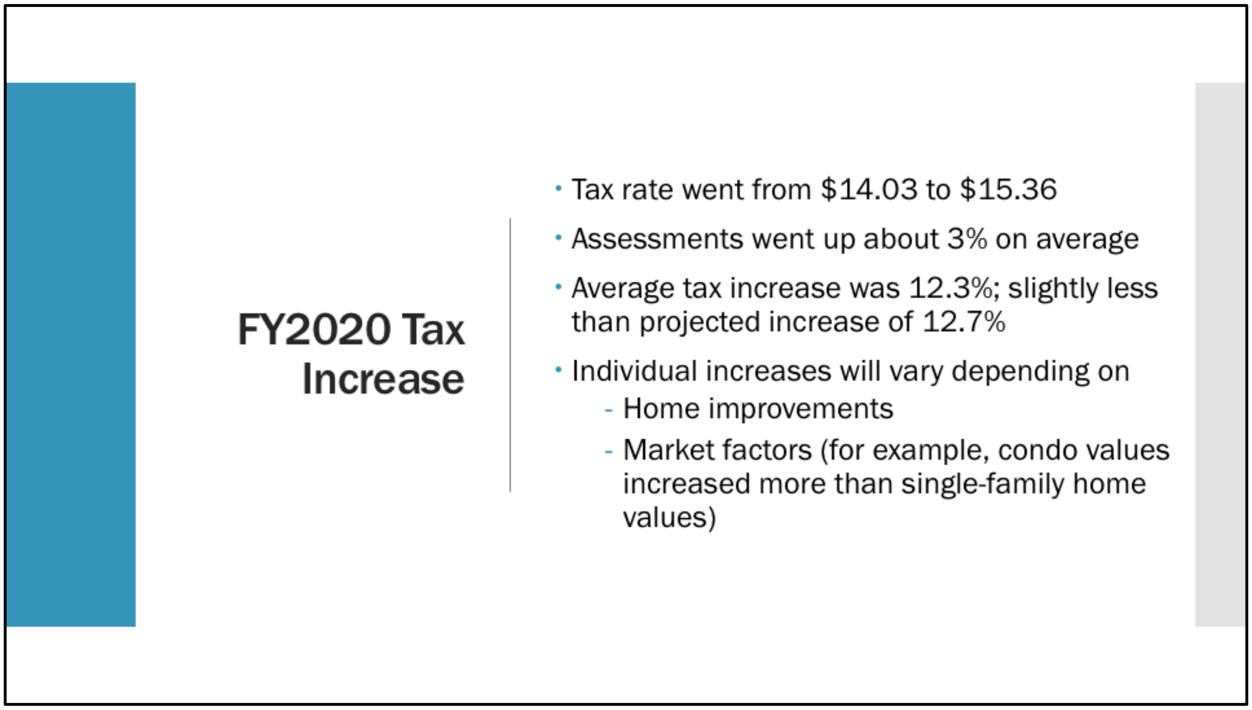
Components of the FY 2020 Median Tax Bill

Median House Value: $998,400 (FY 2019)

FY 2019 Median Tax Bill	$14,008	*Increase*
Operating Increase	$ 335	2.4%
One time FY'19 Capital Exclusion coming off levy	(283)	-2.0%
Existing Debt Exclusions	(115)	-0.8%
FY 2020 Estimated Median Tax Bill	**$13,945**	**-0.5%**
CPC Funds Applied to Debt (Article 10)	(182)	-1.3%
FY 2020 Estimated Median Tax Bill	**$13,763**	**-1.8%**
New Debt Exclusion – School Project	**$ 2,026**	**14.5%**
FY 2020 Estimated Median Tax Bill	**$15,789**	**12.7%**

As presented at Town meeting, these are the components of the FY20 tax bill.

The increase due to the operating budget and the school bond were offset somewhat by the retirement of debt.



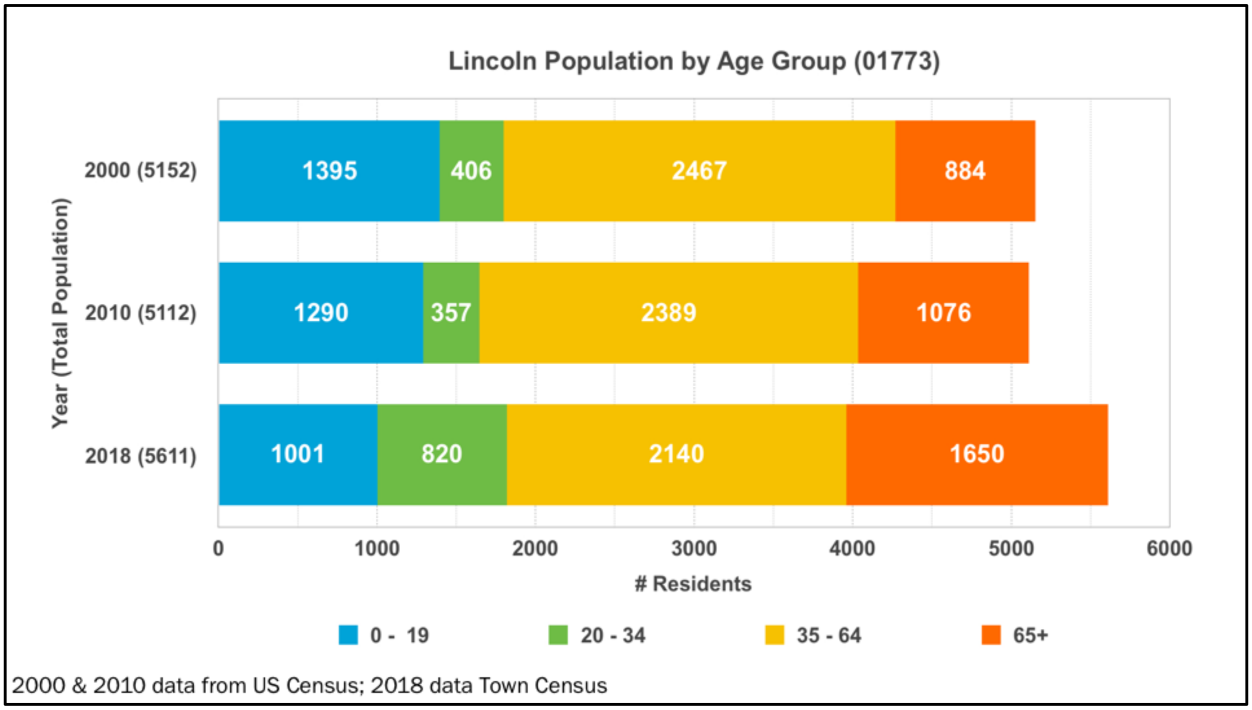
The tax rate went from $14.03 to $15.36. Of that new rate, $1.95 goes toward paying the debt service for the school.

For residential properties, the average tax increase was 12.3%, slightly lower than the projected increase.

The percentage increase is different for each homeowner, and it depends on a number of factors.

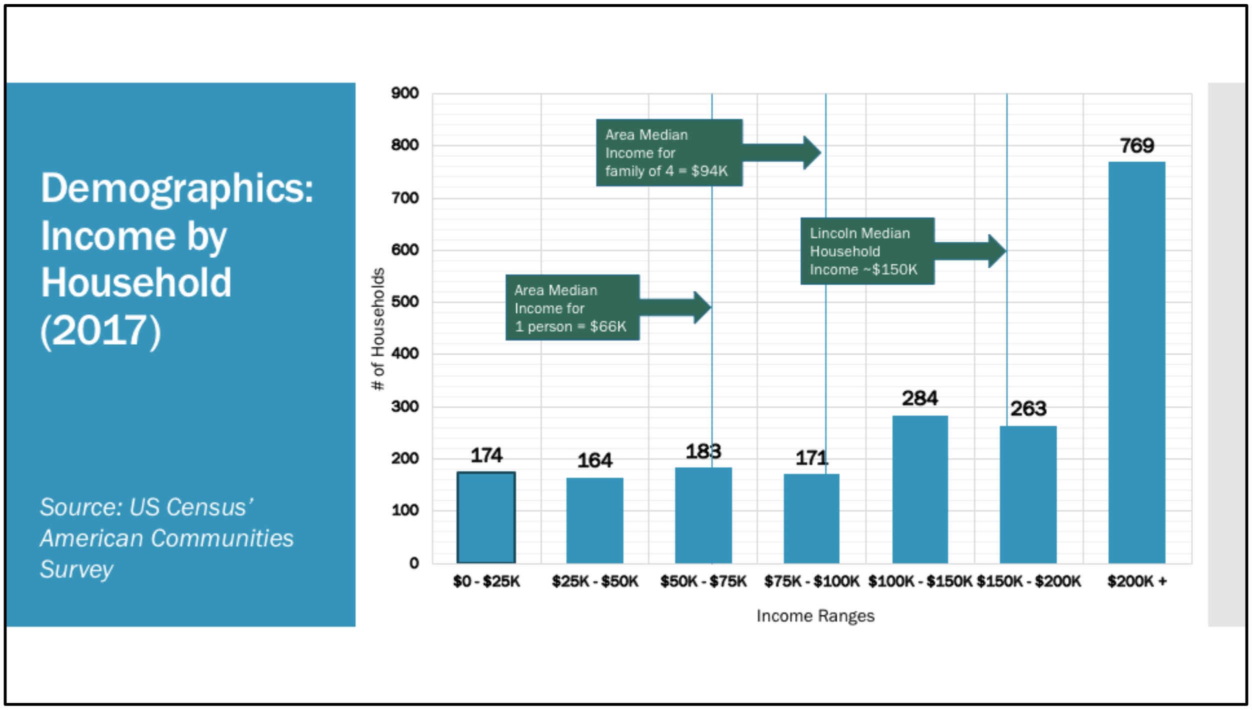
Please call the Assessors if you have individual questions about your assessment.

The first phase of our work was to gather some broad demographic data and to understand the programs that are already in place.



Here is a snapshot of Lincoln's population.

- These numbers are for the 01773 zip code, and thus do not include residents of Hanscom Airforce Base.
- Lincoln has skewed older over the past 20 years. In 2000, 17% of the population was over 65, in 2010, 21% was over 65, and currently 29% over 65.
- Partly, this change reflects national demographics for suburbs; but the increase in the over 65 population since 2010 is also explained by the fact The Groves (now The Commons) opening in 2010.



Next, we gathered data about household income.

This is from the US Census's American Communities Survey, and because it is a survey and not the official census, it has a margin of error of about 6%.

There are roughly 2000 households in Lincoln.

- About 34% have an income below $100K
- About 27% are between $100K and $200K
- About 38% are over $200K

Within the 200K+ range (according to 2015 data) there are about 140 households with an income above $1M.

Property Tax Exemptions

PROGRAM	Senior & Veterans Work Off	Deferral 41A	CPA Exemption	Temporary Deferral 18A	Elderly 17E	Elderly 41D	Blind 37A	MA Income Tax Circuit Breaker
Eligible Age	Seniors: 60 Veterans: none	60	None	None	70	65	None	65
Income Limit	None	Single $57,000 Married $86,000	Homeowners: <60: $60,368 60+: $74,460 for single person	Financial hardship	None	Single $21,379. Married $32,067. excluding some SS	None	Single $60,000 Married $90,000
Asset Limit	None	None	None	Financial hardship	$42,756. excluding domicile	Single $42,756. Married $58,789. excluding domicile	None	Domicile $808,000; also available to renters
Assistance	Up to $1,500	Total Bill (but not CPA tax)	Total CPA surcharge	Total Bill (but not CPA tax)	$615	$2,000	$1,000	For 2019, tax credit of up to $1,1030
Inflation Adjustment	None	None	None	None	Annual CPI	None	None	Annual Adjustment
Apply	Annually	Annually	Annually	Annually (for 3 years only)	Annually	Annually	Annually	Annually
Cost to Town	Budget item: $72K for Seniors; $5K for Veterans	About $300K on the books; $ gets recouped	$45; reduces revenue	About $2400; $ gets recouped when taxes paid	None	About $4,500; reduces revenue, state reimburses statutory amount	About $1,500; reduces revenue, state reimburses statutory amount	None
# Residents Using Program	48 Seniors 5 Veterans	4	2	1	0	3	3	67 (2017)
Local Discretion	Yes - Can fund more positions; could require additional admin. costs	Yes - Town lowered age threshold, can set interest rate between 0- 8% (currently 4%)	4 exemptions to choose from	Yes - Town can set interest rate between 0- 8%	No	Yes - Town raised income and asset limits, and raised assistance amount	Yes - Town raised assistance amount	No

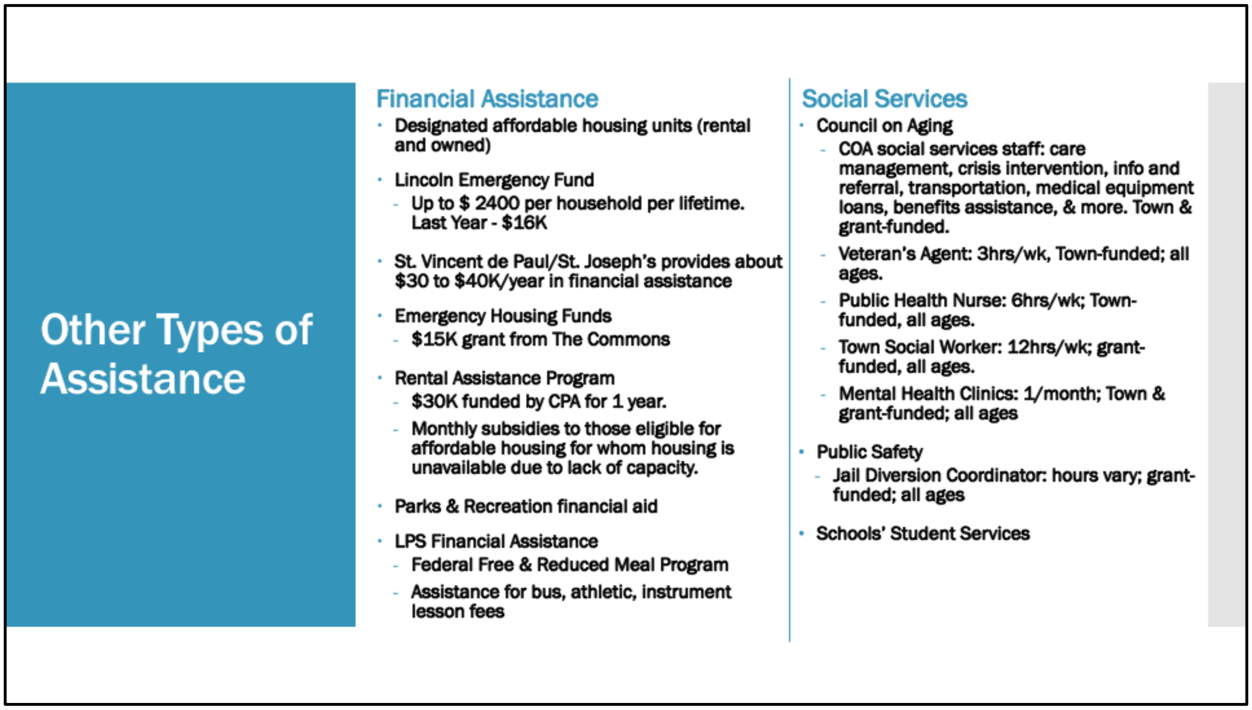
This chart shows the tax programs we already have in place.

This has been shown before, but the green rows were added to show the cost to the town of each program, the number of residents who use the program, and whether or not we have any additional local discretion.

The Senior work-off program is the most popular town-funded program, and it this year it will cost the town $72K.

The other program with significant enrollment is the MA Circuit Breaker program, which is state funded. In a bit we will look at locally-funded Circuit Breaker extension programs.

In addition to this list, there are 7 programs for Veterans that are utilized by about 13 residents at a cost to the town of $7200.



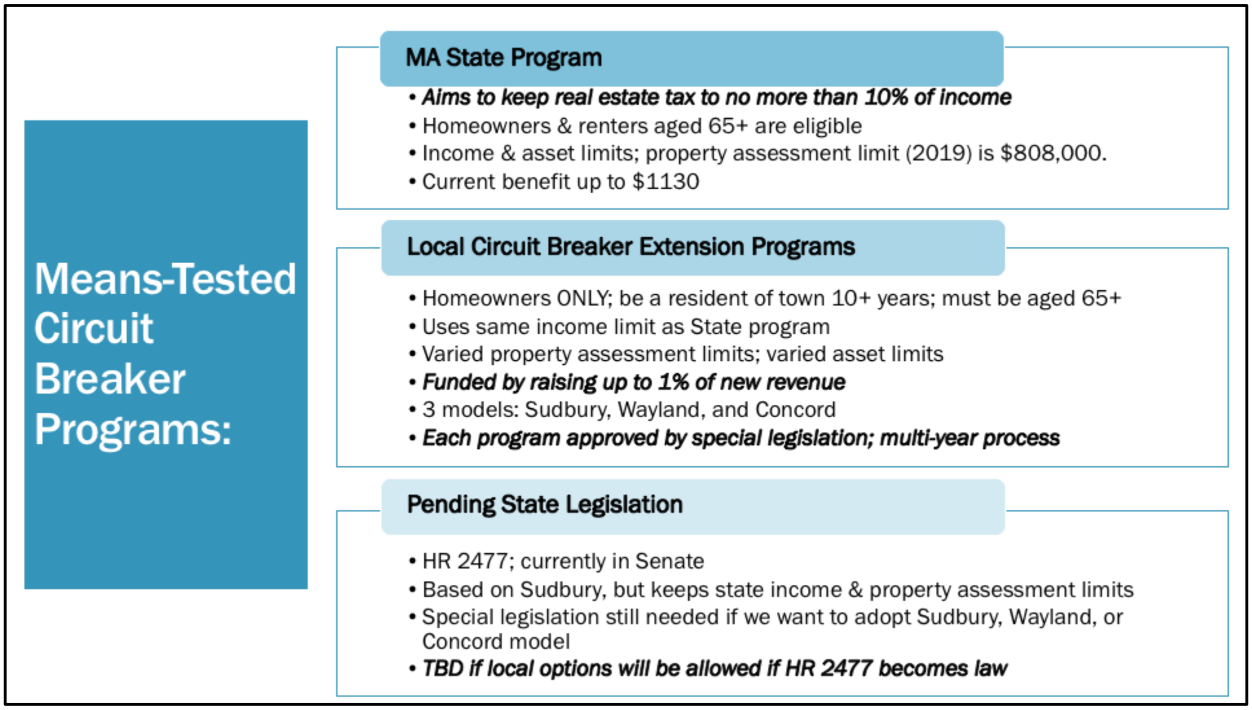
To get a more complete picture of the town we also gathered information about other types of aid given to community members.

Lincoln's formal social safety net is not large, but there are town departments, faith organizations and non-profits that work together. In all, about 20 groups form a safety net. They meet every other month to collaborate and coordinate services.

From these groups, we know that the needs of all our vulnerable populations are increasing, which is something the town will have to think about and address as we go forward.

Possible Programs

There are two additional programs we can consider. An Extended Circuit Breaker Program and the Residential Exemption.



As previously mentioned, there is a state Circuit Breaker program. Three of our peer towns, Sudbury, Concord and Wayland, have implemented different versions of a locally-funded Circuit Breaker program that provides additional benefits to qualified households.

The programs identify homeowners who are over 65, have lived in town at least 10 years, and who meet income and asset thresholds.

The goal is ensure these residents pay no more than 10% of their income on property taxes.

The Circuit Breaker extensions are funded by an increase of up to 1% on the tax rate.

The resulting programs help a small number of residents with demonstrated financial need.

	Current State Circuit Breaker	Sudbury	Concord	Wayland	Proposed HR2477
Housing Status	Own or Rent	Own	Own	Own	Own
Age Requirement	65+	Owner 65+ Co-owner 60+; Homeowner 10+ years in Sudbury	Owner 65+ Co-owner 60+ Homeowner 10+ years in Concord	65+ Homeowner 10+ years in Wayland	Owner 65+ Co-owner 60+; Homeowner 10+ years in town
Income Criteria	Single $60,000 Married $90,000	Meet state Circuit Breaker limits	Meet state Circuit Breaker limits	Meet state Circuit Breaker limits	Meet state Circuit Breaker limits
Property Value	$808,000 (2019)	< 10% above town average	< town median house value	Same as State	Same as State
Application Requirements	File MA form CB	File MA form CB Additional verification of income/assets	File MA form CB Assets (excluding residence) must be < $250K	File MA form CB Must receive State CB	File MA form CB
Benefit	Up to $1,130 (2019)	Goal: Pay up to difference between tax + water bill and 10% of income	Goal: pay no more than 10% of income; capped at 50% of property tax bill	Matches state Circuit Breaker credit received	Pays up to difference between tax + water bill and 10% of income
Funding Source	State	Increases the residential tax levy up to 1%	Increases the residential tax levy up to 0.5%	Overlay Reserve (town funded)	Increases the residential tax levy up to 1%
Other	Criteria and benefit change every year	Reauthorization @ Town Meeting every 3 years	Reauthorization @ Town Meeting every 3 years	No sunset clause	Reauthorization @ Town Meeting every 3 years
Utilization of state program in 2017 *(benefits paid by state)* www.mass.gov	67 (1.2%) Lincoln residents Population ~5600 Avg. benefit $1016	209 residents (1.1%) Population 19,627 Avg. benefit $976	280 residents (1.5%) Population 19,211 Avg. benefit $1004	219 residents (1.6%) Population 13,882 Avg. benefit $1036	n/a

This is a comparison of the state program with the three local variations and a proposed statewide extension bill.

All three of our peer towns use the state's income limit. Concord and Sudbury have adopted programs that allow higher property assessments than the state limit.

All three towns implemented the programs through special legislation, which takes a couple of years.

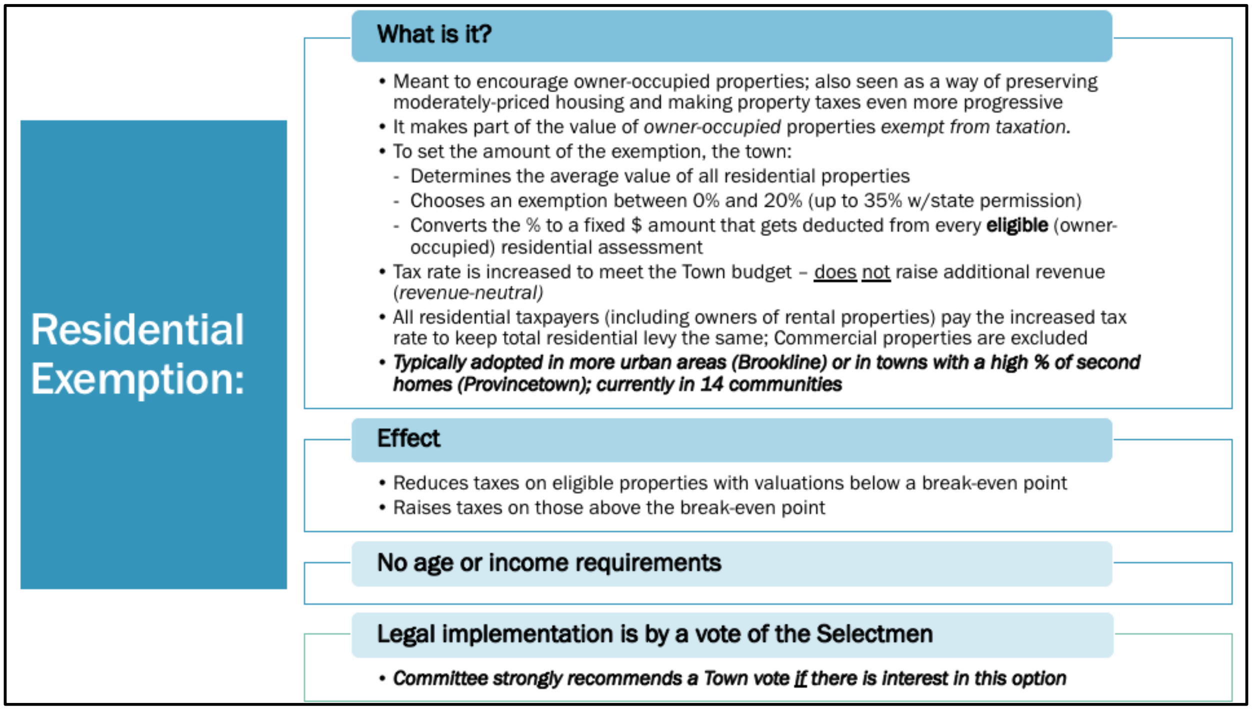
There is a statewide bill that is partially based on the Sudbury model that is currently sitting in the Senate.

If it becomes law, we would simply need a Town Meeting vote, not special legislation, to implement a Circuit Breaker extension. However, it would probably prevent us from customizing the program in any way.

The last row shows how many residents in each town are receiving benefits from the State program.

To sum up the Extended Circuit Breaker program: Long-term residents over 65, who meet income and asset thresholds, are eligible to receive a tax credit aimed at reducing their tax bill to no more than 10% of their income.

Revenue for the program is raised by adding a maximum of 1% to the tax rate.



The other program we have researched is the Residential Exemption.

The Residential Exemption provides a benefit to owner-occupied properties. It is also seen as a way of helping to preserve moderately-priced housing and of making property taxes even more progressive than they already are.

It makes a portion of the value of all owner-occupied residences exempt from taxation.

Because the dollar amount of the exemption is same for all properties, the impact is larger on moderately-valued homes.

The effect is to shift the tax burden upward on to more expensive properties.

The Residential Exemption is a tool that is available to every city and town in the state, and has been adopted by only 14 communities.

There are 2 types of towns that use it: 1) Urban areas such as Brookline where they want to reward owner-occupied properties, are willing to make landlords and renters pay a bit more, and have a large commercial base; and 2) Towns like Provincetown where there is a high percentage of vacation homes. The exemption gives a tax break to year-round residents.

Other towns that are more like us, such as Lexington, have studied it and ultimately decided not to adopt it.

This is a program that is available to every city and town. Each year, when the tax rate is set, one of the questions the Selectmen must answer is whether or not to enact a residential exemption.
In early September the Selectmen, voted, as usual, <u>not</u> to adopt the exemption. They would not adopt it unless

the Town very clearly indicates support.

Example: $50,000 (~5%) Residential Exemption

Residential Properties = 2116

Owner-occupied Properties = 1780

FY2019 Average Valuation = $958,379

- ***Owner-occupied residences*** subtract $50,000 from their assessment
- ***Tax rate increases for all residential properties*** in order to raise required revenue
  - from current rate of $15.36 to $16.07 (5%)
- ***Result***: on a sliding scale, tax is reduced for low assessments and increased for high assessments
  - break-even value $1,140,000
  - About 60% of properties pay less; about 40% pay more
- Non-qualifying residential-class properties pay the higher tax rate with no exemption
  - rentals, The Commons, land parcels
- Commercial rates not affected

This is an example of how the exemption works (numbers are rounded for simplicity).

If we chose a 5% exemption, based on an average tax bill of just under $1M, that would translate into a $50K exemption.

All owner-occupied residences would have $50K subtracted from their assessed value.

To make the program revenue-neutral, the tax rate has to increase.

The effect is to shift the property tax burden along a sliding scale so that lower-valued properties pay an even lower amount in taxes, and higher-valued properties pay an even higher amount.

Results of $50,000(~5%) Residential Exemption

Assessment Range	%/# of Single Family and Condo Properties in the Assessed Range	Average % Tax Difference	$ Range of Tax Difference
Under $500,000	19%/364	-10%	($714) to ($449)
$500,000 to $1.14M	52%/998	-2%	($449) to $0
$1.14M to $1.5M	14%/269	+0.5%	$0 to +$262
$1.5M to $2M	9%/174	+2%	+$262 to +$617
Over $2M	6%/117	+3%	+$617 to +$4,400

- **Lincoln Woods**: Could result in an increase of ~$3.75/month ($45/year) for a market-rate apartment. *(Rents for affordable units are regulated by the state and would not be impacted)*
- **The Commons**: Could result in an increase of ~$16.33/month ($196/year) per residential unit.

This chart shows what the exemption would look for different home owners.

The committee chose 5% as an example because the average tax decrease for lower-assessed properties mostly offsets the tax increase due to school project.

Sample Comparisons:

Extended Circuit Breaker vs 5% Residential Exemption

Assessed Value	Additional Cost of a Maximum 1% levy for an Extended Circuit Breaker Program	Additional Cost of a 5% Residential Exemption
$500,000	New tax rate $15.51/$1000 $7,755 tax bill **$75 HIGHER than FY20**	Reduces assessment to $450,000 New tax rate $16.07/$1000 $7,232 tax bill **($449) LOWER than FY20**
$1,140,000 (break-even point for Residential Exemption)	New tax rate $15.51/$1000 $17,681 tax bill **$171 HIGHER than FY20**	Reduces assessment to $1,090,000 New tax rate $16.07/$1000 $17,516 tax bill **NO CHANGE vs FY20**
2,000,000	New tax rate $15.51/$1000 $31,020 tax bill **$300 HIGHER than FY20**	Reduces assessment to $1,950,000 New tax rate $16.07/$1000 $31,337 tax bill **$617 HIGHER than FY20**

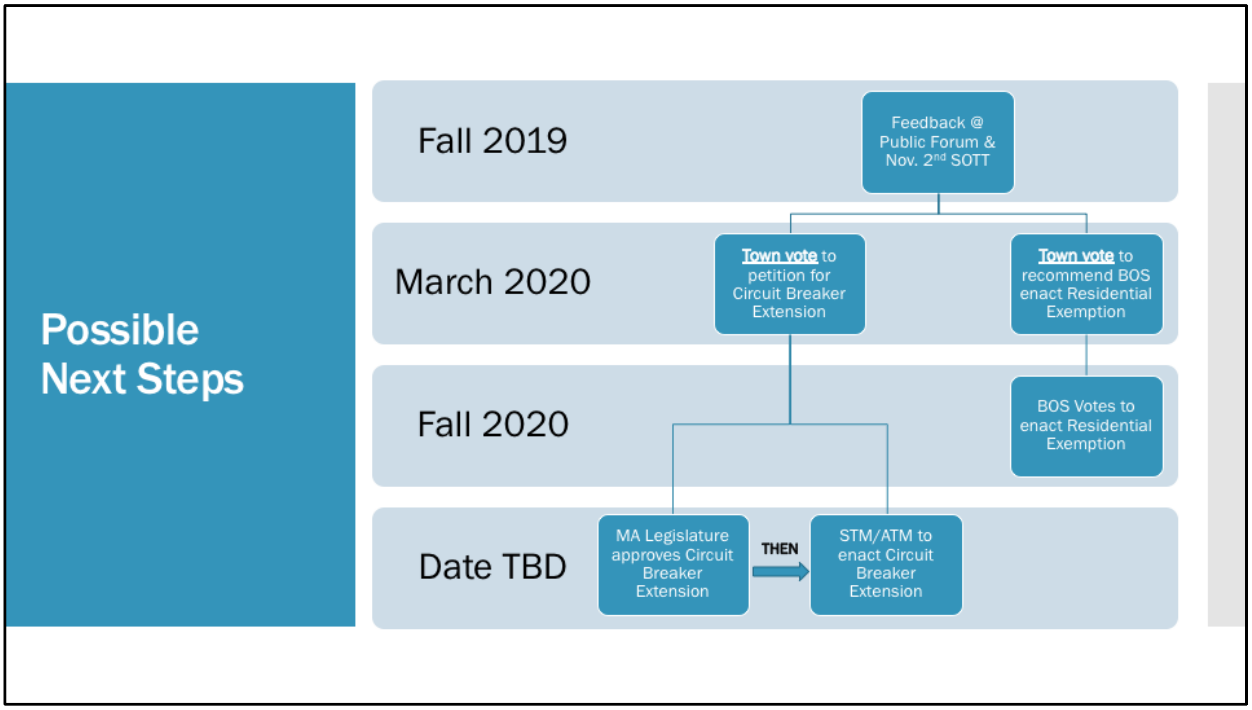
This chart compares the tax impact of the Circuit Breaker, which would need to raise up to 1% in additional revenue, and the Residential Exemption which is revenue-neutral, but shifts the tax burden.

	Circuit Breaker Extension	Residential Exemption
Target Population	Lower-income homeowners in lower-value homes who are over 65 and have lived in town 10+ years	Homeowners (owner-occupied properties) with property valued below a "break-even" point
Program Goals	Targeted program to ensure property taxes + water bill are no more than 10% of income.	Broad-based policy that encourages owner-occupation of properties and makes property taxes even more progressive
Criteria	Over 65; 10+ years in town; must meet income, home value, and other asset limits	Applies to all owner-occupied residential properties
Benefit	Provides $ as needed beyond state program to ensure taxes + water bill are only 10% of income	Varies – the lower the property value, higher the benefit
Funding Source	Raise total tax levy by up to 1% to provide funds; this additional cost borne by all other homeowners; administrative costs are neutral	No additional revenue; tax levy is shifted to higher-value properties; administrative costs are neutral
Pros	**Targets those w/demonstrated economic need**; significant benefit for most vulnerable; used in peer towns	No additional revenue needed; **helps all ages**; more benefit the lower the property value
Cons	Needs additional revenue; only for homeowners; **only those over 65; doesn't help renters**	**No asset criteria** – uses property value as a proxy for need; **could negatively impact renters;** could harm those with low income & higher home value

Which brings us back to our big questions: Who are we trying to help? and What are we trying to achieve?

- Do we want to adopt a Circuit Breaker program that asks everyone to pitch in to provide targeted help for a few residents?
- Do we want to implement the Residential Exemption which helps all owners of lower-assessed homes by shifting taxes onto properties with higher assessments?
- Do we want to do both? Or neither?

The property tax committee has spent a lot of time debating the pros and cons, and now wants to hear from the community.


Possible Next Steps
Fall 2019
Feedback @ Public Forum & Nov. 2nd SOTT
March 2020
Town vote to petition for Circuit Breaker Extension
Town vote to recommend BOS enact Residential Exemption
Fall 2020
BOS Votes to enact Residential Exemption
Date TBD
MA Legislature approves Circuit Breaker Extension
THEN
STM/ATM to enact Circuit Breaker Extension

Thank you!

Annual Residential Tax Bill Increase for School Building Project

Using FY2019 Valuations and Including Stabilization and Free Cash

	Borrowing Amount	Interest Rate	Property Value $500,000	$ 750,000	$998,400	$1,250,000	$1,500,000	$2,000,000	Percentage Increase
Scenarios presented at Dec 1, 2018 Special Town Meeting	$ 88,500,000	4%	$ 1,210	$ 1,814	$ 2,415	$ 3,024	$ 3,629	$ 4,838	17.2%
		5%	$ 1,361	$ 2,041	$ 2,717	$ 3,402	$ 4,082	$ 5,442	19.4%
School Bond Issuance on Feb 20, 2019	$ 80,000,000	3.38%	$ 1,015	$ 1,522	$ 2,026	$ 2,537	$ 3,044	$ 4,058	14.5%
FY20 Proposed Budget excl Bonding			$ (123)	$ (184)	$ (245)	$ (307)	$ (368)	$ (491)	-1.7%
Total Estimated FY20 Tax Bill Increase			$ 892	$ 1,338	$ 1,781	$ 2,230	$ 2,676	$ 3,568	12.7%
2nd School Bond Issuance, maximum amount, target 2021	$ 8,500,000	4%	$ 116	$ 174	$ 232	$ 290	$ 349	$ 465	1.7%
		5%	$ 131	$ 196	$ 261	$ 327	$ 392	$ 523	1.9%
Ultimate Total Tax Bill Increase		4%	$ 1,008	$ 1,512	$ 2,013	$ 2,520	$ 3,024	$ 4,032	14.4%
		5%	$ 1,023	$ 1,534	$ 2,042	$ 2,557	$ 3,068	$ 4,090	14.6%

Median Taxpayer: 2019 Tax Bill of $14,008

Veterans Exemptions*

Clause	Type	Amount	Veteran	Spouse	Surviving Spouse	Surviving Parent	Cost to Town	# Residents	Local Discretion
22	Veterans with minimum 10% war service disability; Purple Heart recipients; Gold Star Parents; Surviving Spouses	$824	X	X	Until remarriage	x	About $4,100	10	Yes–Town doubled amount
22A	Veteran who lost one hand, foot or eye; or received a Congressional Medal of Honor, Distinguished Service Cross, Navy Cross, or Air Force Cross	$1,500	X	X	X		$0 currently	0	No
22B	Veterans who lost two hands or feet, or both eyes	$2,500	X	X	X		$0 currently	0	No
22C	Veteran with 100% disability and specially adapted housing	$3,000	X	X	X		$0 currently	0	No
22D	Surviving spouses of veterans killed in a combat zone	Total for 5 years, then $2,500			X		$0 currently	0	No
22E	Veterans with 100% disability	$2,000	X		X		About 3,100	3	Yes–Town doubled amount
8A	Paraplegic veterans	Total	X		X		$0 currently	0	No

*** These programs are only for homeowners**

Again, we added rows to this chart to show cost, utilization, and whether or not there is local discretion.