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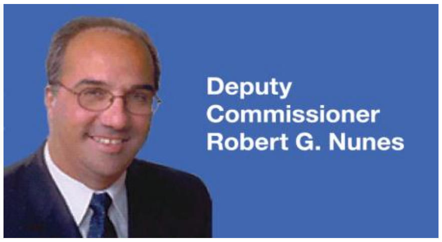
# City & Town

Amy Pitter, Commissioner • Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

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**Editor: Dan Bertrand**



## In this Issue:



# Valuation Guide to Billboard Structures

**Brenda Cameron - Bureau of Local Assessment Deputy Director**

In response to a number of inquiries received by the Bureau of Local Assessment (BLA) on the valuation of billboard property, BLA is providing the following guidance to assessors regarding what will be accepted for certification on this class of property. It is expected that this information will simplify the valuation process for assessors and enhance the uniformity in the valuation of outdoor advertising for mass appraisal purposes.

Almost all billboards are owned by billboard companies rather than individuals. Billboard companies offer display space to advertisers for a fee and also place and remove the advertisements and may design and produce the advertising copy. It is important, therefore, to ensure the business entity itself (advertising income from renting of board space) is not valued. This is primarily what makes valuation of this type of property difficult.

Advertising space is often marketed for a group of billboards rather than for a single billboard. These groups are called "showings." Billboard companies know approximately how many people see each of their billboards each day along with their demographic attributes.

Billboards come in four standard configurations: Juniors (standard panel size 6 x 12 feet); Posters (standard panel size 12 x 25 feet); Bulletins (standard panel size 14 x 48 feet - sometimes slightly smaller); and Spectaculars (billboard built to order, with unique shapes, features, larger than bulletins).

There are also four billboard classifications: Class 1: Wood Structure (Constructed with wood post or pole supports and a single display panel), Class 2: Steel A-Frame (constructed with angle iron or steel supports and a single display panel), Class 3: Multi-Mast (constructed with steel poles, I-beam as primary support and single display panel), and Class 4: Monopole (constructed with tubular steel support/framing and single display panel).

The billboard site is generally limited to an area large enough to accommodate the billboard's foundation and to allow for service and maintenance of the billboard. The billboard owner typically holds a leasehold interest in the billboard site. Fee simple ownership is usually held by an unrelated party that owns the land contiguous to the billboard site.

It is advisable that billboard structures and sites be valued as real property. BLA will accept the cost approach as being the most appropriate methodology applied to this type of property.

**Cost Approach**

The cost approach to a billboard property involves the following:

- Estimate the cost new of constructing and siting the billboard improvement
- Estimate the depreciation by using an age/life analysis (billboards are subject to the three forms of depreciation: physical, economic, and functional)
- Subtract the estimated depreciation from the cost new to arrive at the depreciated cost of the billboard improvement
- Estimate the value of the leasehold interest in the billboard site held by the billboard company (capitalize the land lease)
- Add the value of the of the leasehold interest in the billboard site to the cost new less depreciation of the billboard improvement to arrive at the cost value

Assessors will need to develop a mass appraisal model utilizing the data obtained on outdoor advertising property and applying the above approach to value all billboards within the community that addresses construction, size and location.

## Understanding the Residential Exemption

**Tony Rassias - Bureau of Accounts Deputy Director**

The residential exemption, MGL c. 59, s. 5C, is a not-oftentimes voted provision of the 1979 classification law that shifts the tax burden within the Residential class from the lower valued properties to the higher valued ones and to those owned by nonresidents. This article will take a look at the exemption's requirements, how the exemption works and will conclude with some frequently asked questions of the Division of Local Services.

## Exemption Requirements

The residential exemption may be voted annually by the board of selectmen or by the mayor with the approval of the city council. The vote is customarily taken at the annual classification hearing, but the vote may be taken prior to that time. In addition, the exemption:

- By statute may be no more than 20 percent of the average assessed value of all class one, residential parcels;
- Bay be applied to a residential parcel that is the owner's principal place of residence as of January 1, as used for state income tax purposes;
- May be granted in addition to any other exemptions allowable under MGL c. 59, s. 5 as well as in addition to the Community Preservation residential exemption;
- May not reduce the taxable value of the property to less than 10 percent of its full and fair cash value, except through the application of the hardship exemption, and the exemption for paraplegic veterans and their surviving spouse.

## Calculations

In this example, the Total Residential Value (A) is divided by the Total Residential Parcel Count (B) to yield an Average Residential Value (C). This Average Residential Value (C) is then multiplied by the Selected Residential Exemption Percent (D) to yield the Residential Exemption (E).

| | | | | |
|---|---|---|---|---|
| A<br>$4,800,000,000<br>Total Residential Value | / | B<br>9,625<br>Total Residential Parcel Count | = | C<br>$498,701<br>Average Residential Value |

| | | | | |
|---|---|---|---|---|
| C<br>$498,701<br>Average Residential Value | X | D<br>20%<br>Selected Residential Exemption % | = | E<br>$99,740<br>Residential Exemption |

The residential exemption (E) is then multiplied by the Number of Eligible Residential Parcels (F) to result in the Total Residential Exemption Value (G).

| | | | | |
|---|---|---|---|---|
| E<br>$99,740<br>Residential Exemption | X | F<br>6,428<br>Number of Eligible Residential Parcels | = | G<br>$641,128,720<br>Total Residential Exemption Value |

The Total Residential Value (A) is then reduced by the Total Residential Exemption Value (G) to result in the Total Residential Value minus Exemption (H).

| | | | | |
|---|---|---|---|---|
| A<br>$4,800,000,000<br>Total Residential Value | _ | G<br>$641,128,720<br>Total Residential Exemption Value | = | H<br>$4,158,871,280<br>Total Residential Value minus Exemption |

**On the Tax Rate Recap**

Once the exemption has been calculated and voted, both the Total Residential Value (A) and the Total Residential Value minus Exemption (H) are transferred to the Tax Rate Recap.

The Total Residential Value (A) is used to calculate the classification percentages and to determine Prop 2 1/2's levy ceiling (*Editor's Note: For more information on the Levy Limit, please see our recent three part series on the subject.*)

The Total Residential Value minus Exemption (H) is used to calculate the residential class tax rate. By reducing the Total Residential Value (A) by the Total Residential Exemption Value (G), the residential class tax rate will increase, the total tax levy for the residential class will remain the same and the property tax burden will shift as intended.

**The Break-Even Point and the Burden Shift**

The break-even point, or point of benefit neutral assessment, is that point (actually a dollar spread due to rounding) of assessed valuation less the exemption at which the tax burden for residential class properties begins to shift, i.e. when the residential class property taxpayer begins to pay less or more property tax than if the exclusion wasn't voted at all.

Using the example from above, the Break-Even Point (I) can easily be calculated as the Total Residential Value (A), divided by the Number of Eligible Residential Parcels (F).

| | | | | |
|---|---|---|---|---|
| A. | | F | | I |
| $4,800,000,000 | | 6,428 | | $746,733 |
| Total Residential Value | / | Number of Eligible Residential Parcels | = | Break-Even Point |

**On the Tax Bill**

Once the tax rate has been certified by the Bureau of Accounts, the exemption is applied to the 6,428 eligible residential parcels identified in F above on the first actual tax bill. A location on the front of the real estate tax bill must show the exemption amount and on the back the abatement application deadline. An aggrieved taxpayer who did not receive the residential exemption may file an application for abatement to the Board of Assessors within three months of the date the actual tax bill was mailed.

**Example Properties**

Now let's look at four example residential properties and see how the break-even point and the residential exemption work. Let's assume a residential tax rate of $11.32/000 without the exemption and $13.06/000 with the exemption.

As shown in Chart 1, Property #2 shows the break-even point and a "neutral" tax bill, with or without the exemption. Property #1, which is below that point, has a tax savings with the residential exemption while Property #3, which is above that point, has an additional cost with the exemption. Property #4 belongs to the nonresident and although below the break-even point, has a greater cost than the higher valued Property #3 because the nonresident does not receive the exemption.

**Chart 1**

**Without the Residential Exemption**

| | Property #1 | Property #2 | Property #3 | Property #4 |
|---|---|---|---|---|
| Assessed Value | $600,000 | $746,733 | $800,000 | $700,000 |
| Tax Rate | $11.32 | $11.32 | $11.32 | $11.32 |
| Tax Bill | $6,792 | $8,453 | $9,056 | $7,924 |

**With the Residential Exemption**

| | Property #1 (below break-even) | Property #2 (break-even) | Property #3 (above break-even) | Property #4 (nonresident) |
|---|---|---|---|---|
| Assessed Value | $600,000 | $746,733 | $800,000 | $700,000 |
| Exemption | $99,740 | $99,740 | $99,740 | $0 |
| Net Value | $500,260 | $646,993 | $700,260 | $700,000 |
| Tax Rate | $13.06 | $13.06 | $13.06 | $13.06 |
| Tax Bill | $6,533 | $8,450 | $9,145 | $9,142 |
| **Savings with the Exemption** | $259 | $3 | | |
| **Cost with the Exemption** | | | $89 | $1,218 |

## Communities with the Exemption

Because it is an annual acceptance, the number of communities voting the exemption could vary each year. Generally, however, about the same communities vote the residential exemption each year and have for many years. The 13 communities that have voted the residential exemption for FY2014 are Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Nantucket, Somerset, Somerville, Tisbury, Waltham and Watertown.

Communities voting the exemption can be characterized as large cities or towns with many non-owner occupied properties such as apartment buildings or investment properties and/or resort communities with many seasonal residents.

## Frequently Asked Questions

*What type of application form is used to file for an abatement of the residential exemption?*

The taxpayer may use the residential exemption application form approved by the Commissioner of Revenue or the regular abatement application form.

*If a residential exemption is granted by the board of assessors after a properly filed application for abatement, what account is charged?*

Because the exemption was sought by way of abatement, the Overlay is charged.

*What are the qualifications for receiving the residential exemption?*

The taxpayer must own the property (be the holder of record title) and occupy the property as their principal place of residence as of January 1, as used by the taxpayer for state income tax purposes. The exemption is not applied to summer homes or to accessory land incidental to a residential use. Determining eligibility could prove problematic and a disincentive to adopt the law at all. The community may want to delay adoption of the exemption for the first year, possibly even for one fiscal year, to allow for proper domicile and ownership research.

*What if the applicant does not file an income tax return?*

The board of assessors may use municipal records such as census data, street lists, voter records, motor vehicle registrations or licenses and other credible information in lieu of the tax return or may request other information from the taxpayer. It is recommended that the board consider creating a policy as to what type of information would be considered and apply the policy in a consistent and uniform manner.

*Will this exemption help the elderly?*

Be careful! Oftentimes the elderly convey their property to a trust where they may possibly lose legal and/or beneficial interest in the property and disqualify themselves from the exemption. Also, the elderly may own property valued greater than the break-even point. In these cases, voting the exemption to help them may in fact place an additional burden upon them.

If you need more assistance on this topic, you may review IGR 14-401 on the topic, try the Residential Factor Calculator on the DLS website or contact the Division of Local Services at 617-626-2300.

## BOA's Joe Boudreau Retiring, Will Stay in Local Government

**Bob Bliss - DLS Regional Manager and Director of Strategic Planning**

Joseph L. Boudreau III, then in his 20s, attended a town meeting for the first time in Peru and got hooked on local government. "I couldn't get enough of pure democracy," he recalled.

Now, after 25 years as a Bureau of Accounts (BOA) field representative in northwestern Massachusetts, and after an even longer career as both an elected and appointed official in Peru and then Worthington, Boudreau is about to throttle down a bit when he retires from the Division of Local Services on October 31.

Not throttle down all the way, though - he will continue to serve as an elected member of the Worthington Finance Committee recently re-elected to a three-year term through May 2017. Boudreau will still savor the downhome flavor of local government.

Reflecting on Boudreau's career at DLS, Deputy Commissioner Bob Nunes observed that "For 25 years in the Bureau of Accounts, Joe Boudreau has patiently worked with local officials on all matters relating to municipal finance, including approving balance sheets and certifying property tax rates. He has also served as an in-house representative for those same local officials, making sure their concerns were heard by DLS. His perspective has been invaluable and unique, and I thank him for fostering the partnership that exists between DLS and town officials."

BOA Director Gerry Perry noted that "Joe has strong technical skills, is well respected by his communities, is very timely and efficient and has the utmost confidence of all his colleagues at the Department of Revenue."

Boudreau's service as both a local official and as someone who reviews the work of small town governance informs and inflects his view of how the state and local government should interact.

"I see both sides of the coin. It is very beneficial for me in my role as a field representative to see firsthand what local officials are up against. I can identify with them and hopefully they can identify with me," he said.

A native of Pittsfield, Boudreau handled the books for his family's industrial supply company before his interest in government took hold. His affinity for local governance prompted him to receive an appointment to Peru's Zoning Board of Appeals in 1978. In fairly short order, he was elected to Peru's Finance Committee and then to the Board of Selectmen just before the enactment of Proposition 2 1/2. He served six years on the select board before working as an appointed accounting officer and then winning election as Treasurer. He also went to back to the town meeting, serving as the elected Town Moderator.

When he joined DLS in 1989 as a field representative for the Bureau of Accounts in the Springfield office, where he still works today, he could no longer hold town government positions whose work is reviewed by BOA. But naturally, when Boudreau moved to Worthington in 1992, he was elected to the town Finance Committee, where he has served continuous three-year terms since then while taking on a few ad hoc assignments such as working on a regional school building committee.

Perhaps not surprisingly, Boudreau's wife Jean has worked as a part-time assessor for as long as he has worked in local government while holding a day job in the Pittsfield Registry of Deeds.

## DLS Welcomes Two New Staffers

**Bob Bliss - DLS Regional Manager and Director of Strategic Planning**

The Division of Local Services has hired Matthew Andre in the Bureau of Accounts DLS office in Springfield and Theodore Kalivas in the Technical Assistance Bureau in Boston to fill vacancies created by recent retirements.

Andre will replace BOA field representative Joe Boudreau, who is retiring at the end of this month, while Kalivas replaces Zack Blake, who was recently promoted to fill the vacancy created by the retirement of Joe Markarian as head of the Technical Assistance Bureau.

Andre has worked for the Department of Revenue since 2011 as a Tax Examiner II in the Springfield DOR office and previously worked as a permanent substitute teacher at West Springfield High School. Andre is a 2007 graduate of Nyack College in Nyack, N.Y., with a BS in Business Administration. He lives in West Springfield with his wife Camila, who is expecting their first child to be born around Christmas.

Andre, who is now meeting officials in the 31 towns in northwestern Massachusetts that he will serve, is the first new BOA Springfield employee hired in 15 years. Andre enjoys coaching soccer in his spare time.

For the past three years Kalivas has served as Budget Officer for the town of Lexington Finance Department, where he analyzed and compiled the information necessary for producing the town's annual operating and capital budgets. He previously worked as a management analyst for the Town Manager of Arlington.

Kalivas earned a BA in political science from UMass Amherst in 2007 and his Master of Public Administration from Northeastern University in 2011. Originally from Lowell, he is a resident of Somerville.

DLS welcomes both of these new employees to their respective positions.

## OSD to Host Regional Events Promoting Business and Purchasing Opportunities

**Operational Services Division**

The Operational Services Division (OSD) will be hosting a Regional Briefing and Luncheon in two locations in early November. These are scheduled for November 6, 2014 at Holyoke Community College and November 12, 2014 at Barnstable Town Hall.

These events will include workshops for both local purchasing officials and area businesses, and are designed to enable regional buyers and sellers to learn about doing business with the Commonwealth and each other. These events are free and open to businesses and purchasing officials and their teams.

The Event Program includes:

9am - 11:45am: "Connecting Your Business to the Commonwealth" Workshop for Businesses.

Noon - 1pm: Networking Lunch for Local Purchasing Officials & Businesses.

1pm - 2pm: Breakout Sessions for Local Purchasing Officials & Businesses.

*For Purchasers* - A discussion of OSD programs and services for municipalities; live demonstration of COMMBUYS; a briefing on statewide contracts of interest; an overview of OSD's surplus property program.

*For Businesses* - An opportunity to register in COMMBUYS and get questions answered. Computers will be available to assist businesses with the COMMBUYS registration process.

Register at www.mass.gov/osd > OSD Events and Training. For further information, email osdoutreach@state.ma.us.

# October Municipal Calendar

| | | |
|---|---|---|
| **October 1** | **Collector** | **Mail Semi-Annual Tax Bills**<br><br>For communities using the regular semi-annual payment system, actual tax bills or optional preliminary bills should be mailed by this date. |

| | | |
|---|---|---|
| **October 1** | **Taxpayer** | **Semi-Annual Preliminary Tax Bill - Deadline for Paying Without Interest**<br><br>According to MGL Ch. 59, Sec. 57C, this is the deadline for receipt of the preliminary tax payment without interest in communities using the annual preliminary tax billing system, unless the bills were mailed after August 1. If mailed after August 1, the payment is due November 1, or 30 days after the bills were mailed, whichever is later. |
| **October 1** | **Taxpayer** | **Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land, MGL Ch. 61A and Ch. 61B**<br><br>According to MGL Ch. 61A, Sections 6 and 8, and Ch. 61B, Sections 3 and 5, this is the deadline to apply to Assessors to have land valued, taxed and classified as agricultural/horticultural or recreational land in the next fiscal year, unless a revaluation program is being conducted for that fiscal year. Under MGL Ch. 59, Section 38 and DOR guidelines, Assessors must review all property valuations and make adjustments to ensure current fair cash valuations every year. Because a revaluation program is being conducted every year, taxpayers who do not submit their applications by October 1 have until 30 days after the actual tax bills for the fiscal year are mailed to apply. |
| **October 15** | **Superintendent** | **Submit School Foundation Enrollment Report to DESE** |
| **October 31** | **Selectmen** | **Begin Establishing Next Fiscal Year Budget** |

| | | |
|---|---|---|
| | | **Guidelines and Request Department Budgets** |
| **October 31** | **Assessors** | **Begin Work on Tax Rate Recapitulation Sheet (to set tax rate for annual preliminary tax bill communities)**<br><br>A community that uses the annual preliminary tax bill system (on a quarterly or semiannual basis) should begin gathering tax recap information in order to have enough time for the tax rate to be set and tax bills mailed by December 31. See August's Complete Tax Rate Recapitulation Sheet. |
| **Final Day of Each Month** | **State Treasurer** | **Notification of monthly local aid distribution.**<br><br>Click www.mass.gov/treasury/cash-management to view distribution breakdown. |