



City of Salem Fiscal Year 2022 Tax Classification Hearing



PRESENTED BY: THE BOARD OF ASSESSORS
DECEMBER 1, 2021

STEPHEN CORTES, MAA
ACTING DIRECTOR OF ASSESSING

Tax Classification


The purpose of the Classification Hearing is to provide information to the City Council in order for them to make policy decisions in accordance with the requirements of Chapter 40, Section 56 of the Massachusetts General Laws, as amended by Chapter 200 of the Acts of 1988: *“the Selectmen or Council must hold a public hearing annually to consider the tax rate options available to the City under property tax classification” and “shall adopt a residential factor which shall be used by the assessors to determine the percentages of the local tax levy to be borne by each class of real estate and personal property.”*

Cities and towns that are certified as assessing property at full fair cash value by the Department of Revenue may elect to shift the tax burden among the major property classes within certain limits established by law. The Residential Factor governs the percentage of the tax levy to be paid by the Residential Class. The difference is then shifted to the Commercial, Industrial, Personal Property Class (CIP). The *“Minimum Residential Factor”* established by the Commissioner of Revenue is used to make certain that the shift of the tax burden complies with the Classification Act.

It is recommended that the City Council adopts a minimum residential factor of .856113 for the City of Salem for FY2022

The Council must also vote on three other items: Open Space Discount, Residential Exemption and a Small Commercial Exemption.

This year was an interim certification year and the assessments have been updated and approved by the Department of Revenue. The values were established by analyzing calendar year 2020 sales, income and expense data and the personal property Form of List. The statistical data presented herein is intended to assist the City Council in its recommended decisions.

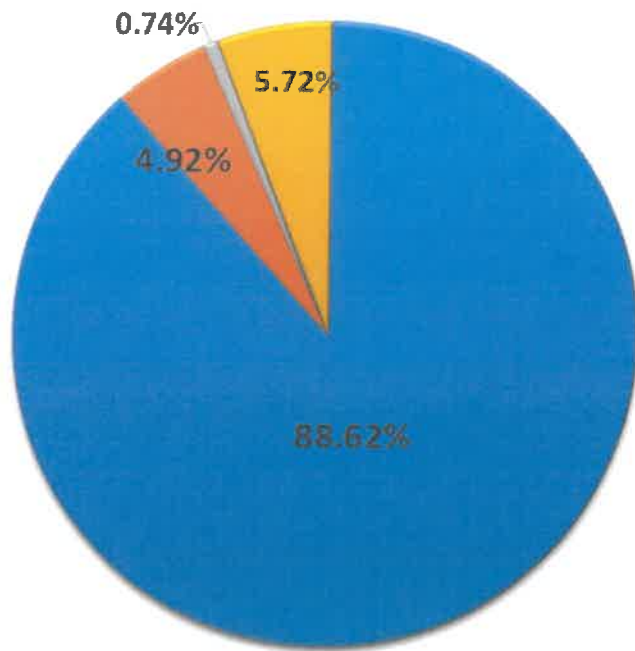


Key Tax Terms

<u>Term</u>	<u>Definition</u>
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum amount a community can levy in a given year. Equal to last year's levy + 2.5% + new growth + debt exclusion/override if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condo conversions, and property renovations, but not due to revaluation. It is calculated by multiplying the increased assessed value by the prior year's tax rate for the property class.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

City Overview

CLASS AS A PERCENT OF TOTAL

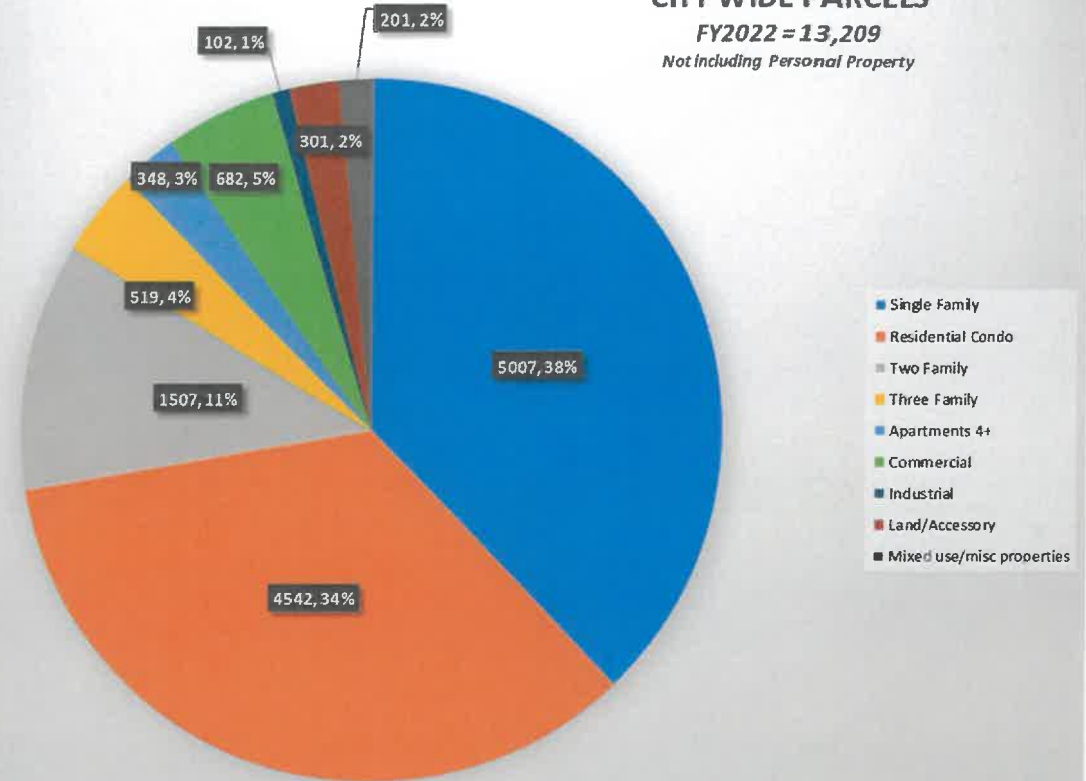


■ Residential Total ■ Commercial Total ■ Industrial Total ■ Personal Property

CITY WIDE PARCELS

FY2022 = 13,209

Not Including Personal Property



■ Single Family
■ Residential Condo
■ Two Family
■ Three Family
■ Apartments 4+
■ Commercial
■ Industrial
■ Land/Accessory
■ Mixed use/misc properties

Analysis

The Fiscal Year 2022 values are based on the value of property as of January 1, 2021 and were primarily developed from **Sales from calendar year 2020, commercial/industrial income and expense information forms, and personal property forms of list**. Under the guidelines of the Department of Revenue and Massachusetts General Laws, Chapter 59, Assessors are required to assess property at 100% full and fair cash valuation. This means all assessed values must reflect the market, i.e. what properties are selling for.

Sales in Calendar Year 2020

Used to determine FY2022 Values

There were 803 sales utilized

(Includes 2 Years of Sales for multi/com/ind./land):

- 268 Single Family
- 421 Condominium
- 90 Multi-Family
- 19 Commercial & Industrial
- 5 other sales (Mixed use, Land, etc.)

The market analysis resulted in the following general adjustments made:

- Single family properties increased in value by **6.2%**
- Condominium properties increased in value by **9.5%**
- Two Family properties increased in value by **8.8%**
- Three Family properties increased in value by **7.9%**
- Apartments with 4-8 units and large apartment complexes increased by **15.1%**
- Personal Property accounts increased in value by **3.2%**
- Commercial properties increased in value by **3%**

****It is important to note that these are overall statistical values for each major property class. Individual value changes will vary depending on specific property data: style, condition, location, amenities, etc. ****

Overall, the City saw an increase in total value of **\$509,818,402** or **(7.7%)**



Fiscal Year 2021 vs Fiscal Year 2022

Property Type	Description	FY 2021 Parcel Count	FY 2021 Assessed Value	FY 2022 Parcel Count	FY 2022 Assessed Value	Parcel Difference	Parcel % Difference	Assessed Value Difference	Assessed Value % Difference
101	Single Family	4,987	2,194,036,200	5,007	2,330,958,200	20	0.4%	136,922,000	6.2%
102	Condominiums	4,464	1,452,512,600	4,542	1,590,017,200	78	1.7%	137,504,600	9.5%
MISC 103,109	Miscellaneous Residential	50	40,954,075	52	45,188,125	2	4.0%	4,234,050	10.3%
104	Two - Family	1,517	751,084,300	1,507	816,939,700	-10	-0.7%	65,855,400	8.8%
105	Three - Family	525	299,358,000	519	322,977,400	-6	-1.1%	23,619,400	7.9%
111-125	Apartment	355	528,596,300	348	608,298,400	-7	-2.0%	79,702,100	15.1%
130-32,106	Vacant / Accessory Land	321	21,924,100	301	20,603,000	-20	-6.2%	-1,321,100	-6.0%
200-231	Open Space	0	0	0	0	0		0	
300-393	Commercial	689	510,774,630	682	526,055,330	-7	-1.0%	15,280,700	3.0%
400-442	Industrial	104	137,368,400	101	144,194,500	-3	-2.9%	6,826,100	5.0%
450-452	Industrial Power Plant	1	185,511,300	1	198,693,850	0	0.0%	13,182,550	7.1%
CH 61 LAND	Forest	0	0	0	0	0		0	
CH 61A LAND	Agriculture	0	0	0	0	0		0	
CH 61B LAND	Recreational	2	6,760,993	2	6,841,635	0	0.0%	80,642	1.2%
012-043	Multi-use - Residential	147	153,775,982	146	169,910,002	-1	-0.7%	16,134,020	10.5%
012-043	Multi-use - Open Space	0	0	0	0	0		0	
012-043	Multi-use - Commercial	0	75,181,018	0	78,402,218	0		3,221,200	4.3%
012-043	Multi-use - Industrial	0	507,600	0	1,014,980	0		507,380	100.0%
501	Individuals / Partnerships /	463	14,451,990	455	14,444,030	-8	-1.7%	-7,960	-0.1%
502	Corporations	322	5,946,720	324	5,982,930	2	0.6%	36,210	0.6%
503	Manufacturing	0	0	0	0	0		0	
504	Public Utilities	3	181,545,600	3	187,057,080	0	0.0%	5,511,480	3.0%
505	Centrally Valued Telephone	4	10,187,600	6	10,370,000	2	50.0%	182,400	1.8%
506	Centrally Valued Pipelines	2	35,201,300	2	37,229,100	0	0.0%	2,027,800	5.8%
508	Wireless Telephone	4	3,159,680	3	3,479,110	-1	-25.0%	319,430	10.1%
550-552	Electric Generating Plant	0	0	0	0	0		0	
900	Exempt Property	517	980,718,400	512	991,015,100	-5	-1.0%	10,296,700	1.0%
Total Class 1	TOTAL RESIDENTIAL	12,366	5,442,241,557	12,422	5,904,892,027	56	0.5%	462,650,470	8.5%
Total Class 2	TOTAL OPEN SPACE	0	0	0	0	0		0	
Total Class 3	TOTAL COMMERCIAL	692	592,716,641	685	611,299,183	-7	-1.0%	18,582,542	3.1%
Total Class 4	TOTAL INDUSTRIAL	105	323,387,300	102	343,903,330	-3	-2.9%	20,516,030	6.3%
Total Class 5	TOTAL PERSONAL	798	250,492,890	793	258,562,250	-5	-0.6%	8,069,360	3.2%
Total Taxable	TOTAL REAL & PERSONAL	13,961	6,608,838,388	14,002	7,118,129,790	41	0.3%	509,818,402	7.7%

*Value difference represents the change for the entire class, not individual parcels

FY2022 - VALUES BY CLASS

Property Type	Description	Mixed Use	Parcel Count	Class 1 Residential Assessed Value	Class 2 Open Space Assessed Value	Class 3 Commercial Assessed Value	Class 4 Industrial Assessed Value	Total for Property Type
101	Single Family		5,007	2,330,958,200			0	2,330,958,200
102	Condominium		4,542	1,590,017,200			0	1,590,017,200
misc 103, 109	Misc Residential		52	45,188,125			0	45,188,125
104	Two-Family		1,507	816,939,700			0	816,939,700
105	Three-Family		519	322,977,400			0	322,977,400
111-125	Apartments		348	608,298,400			0	608,298,400
130-132,106	Vacant/Accessory Land		301	20,603,000			0	20,603,000
200-231	Open Space		0	0	0	0	0	0
300-393	Commercial		682	0	0	526,055,330	0	526,055,330
400-442	Industrial		101	0	0	0	144,194,500	144,194,500
450-452	Industrial Power Plant		1	0	0	0	198,693,850	198,693,850
ch 61 (600)	Forest		0	0	0	0	0	0
ch 61a (700)	Agriculture	0	0	0	0	0	0	0
ch 61b (800)	Recreational	2	1	0	0	6,841,635	0	6,841,635
012-043	Mix-Use		146	169,910,002	0	78,402,218	1,014,980	249,327,200
Totals			13,209	5,904,892,027	0	611,299,183	343,903,330	6,860,094,540
900	Exempt Property		512					991,015,100

Personal Property	Description	Parcel Count	Assessed Value
501	Non-incorporated entities	455	14,444,030
502	Corporations	324	5,982,930
503	Manufacturing Corps	0	0
504	Utility Corporations	3	187,057,080
505	Telephone/telegraph	6	10,370,000
506	Pipelines	2	37,229,100
508	Telecommunications	3	3,479,110
550-552	Generation Plants	0	0
		793	258,562,250

6,860,094,540	Total Taxable Real Property
258,562,250	Total Personal Property
7,118,656,790	Total Taxable Property

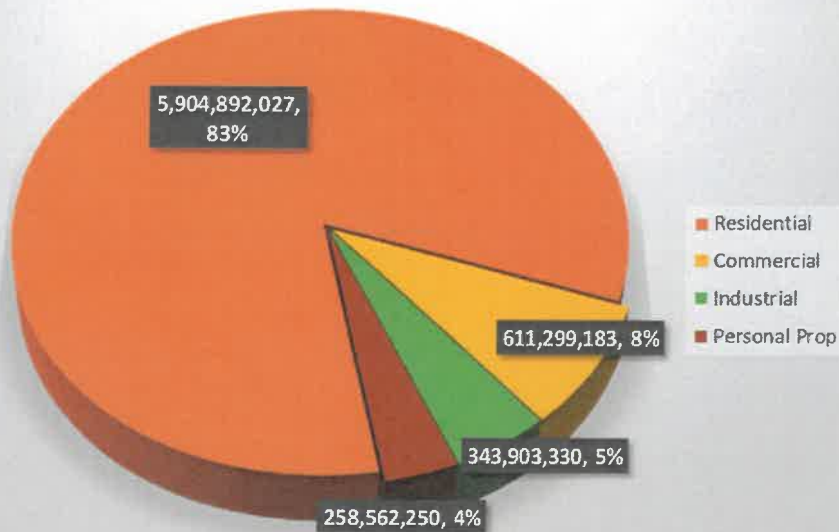
14,002	Real and Personal Parcels
512	Exempt Parcels
14,514	Total Parcels

PERCENTAGE OF VALUES BY CLASS

FY2021			FY2022		
Residential	5,442,241,557	82.35%	Residential	5,904,892,027	82.95%
Commercial	592,716,641	8.97%	Commercial	611,299,183	8.59%
Industrial	323,387,300	4.89%	Industrial	343,903,330	4.83%
Personal Prop	250,492,890	3.79%	Personal Prop	258,562,250	3.63%
C.I.P.	1,166,596,831	17.65%	C.I.P.	1,213,764,763	17.05%
Total			Total		
6,608,838,388			7,118,656,790		

Value Difference from Last Year		Percent
Residential	462,650,470	8.50%
Commercial	18,582,542	3.14%
Industrial	20,516,030	6.34%
Personal Prop	8,069,360	3.22%
C.I.P.	47,167,932	4.04%
Total Value		509,818,402
		7.71%

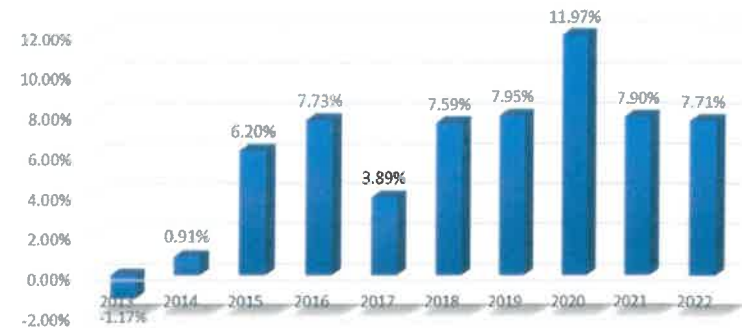
FY2022 PERCENTAGE OF VALUES BY CLASS



Fiscal Year	Value of City
2012	3,973,785,748
2013	3,927,232,741
2014	3,962,936,296
2015	4,208,675,856
2016	4,534,079,631
2017	4,710,256,289
2018	5,067,583,077
2019	5,470,468,285
2020	6,125,184,869
2021	6,608,838,388
2022	7,118,656,790

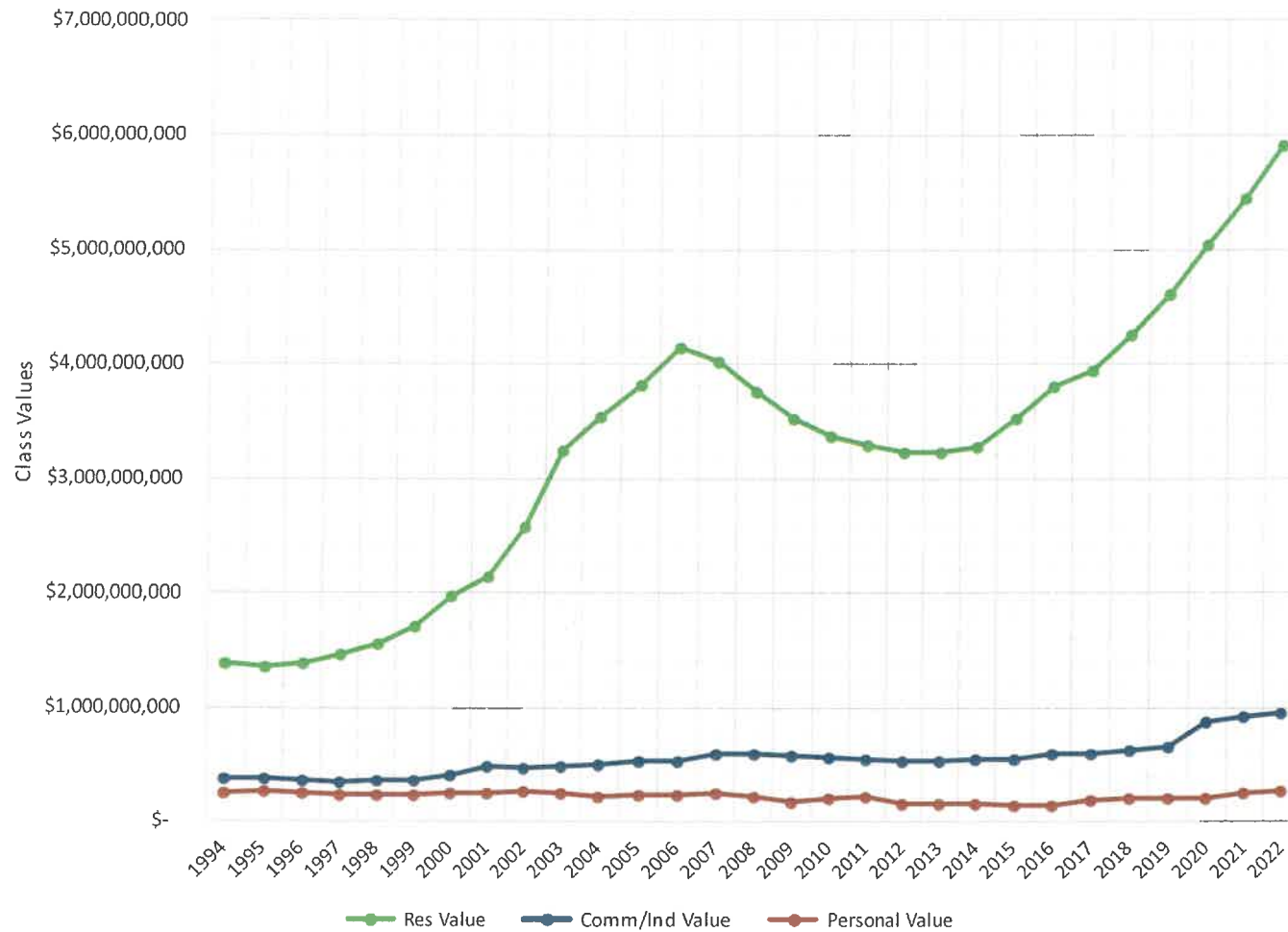
Fiscal Year	% change
2013	-1.17%
2014	0.91%
2015	6.20%
2016	7.73%
2017	3.89%
2018	7.59%
2019	7.95%
2020	11.97%
2021	7.90%
2022	7.71%

Percent value change over years



This graph shows a healthy, sustained change in value over the past few years

Assessed Value History 1994-2022



New Growth

Throughout the year, the Assessing department reviews and captures “New Growth Value” due mostly to New Construction as well as parcels subject to taxation for the first time, subdivisions or condominium conversions, new personal property, and parcels that were previously exempt. It does not include value increases caused by normal market forces or by revaluation. New Growth is submitted to the Department of Revenue for review and certification.

The City of Salem saw a total of **\$123,059,271** in **New Growth Value** that included but was not limited to:

- **25** new Single Family homes
- **78** new Condos conversions
- **6** Exempt properties now taxable
- Large construction projects which include **65 Washington St** (Brix building) 61 condo units, **217 Essex St** (Essex Lofts) 20 new apartments, **72 Flint St** (Halstead Apartments) 130 apartment units, **20 Colonial Rd** (Amazon Warehouse), **142 & 136 Canal St.** – two new residential and mixed use buildings respectively, with 52 apartments total, the completion of **231-251 Washington St** (Hampton Inn – mixed use hotel/apartment building)
- And ongoing construction such as **45 Traders Way & 40 First St** (225 Apartment units), **11 Goodhue St** (5 townhouse style residences) to name a few

The approved New Growth Value resulted in **\$2,053,113** dollars in allowable **Tax Levy Growth**. This amount is used in calculating the **Levy Limit** for FY2022.



72 Flint St

Growth Value
\$8,258,900



217 Essex St

Growth Value
\$2,154,795



20 Colonial Rd

Growth Value
\$2,253,440

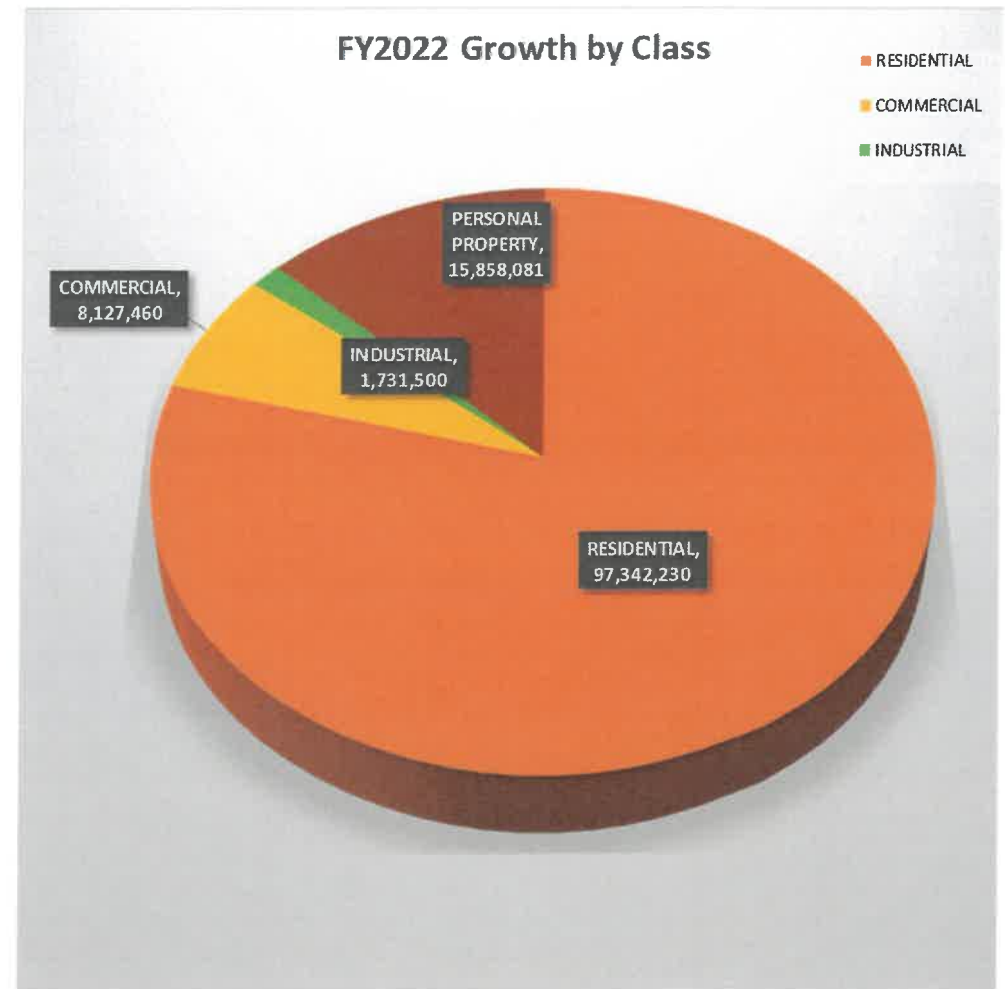


65 Washington St

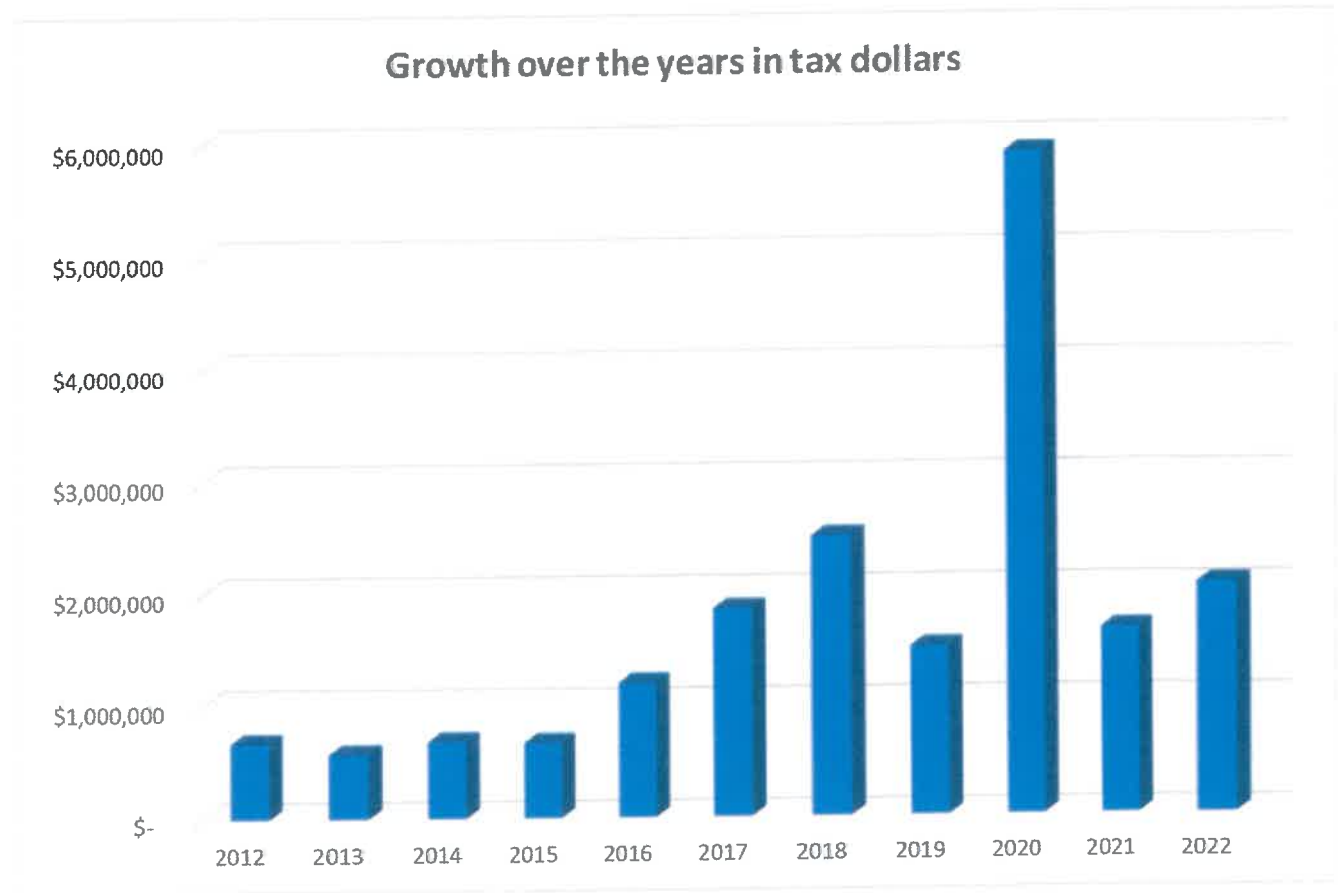
Growth Value
\$11,922,500

FY2022 NEW GROWTH

	Value	Tax Dollars	Percent
RESIDENTIAL			
Single Family (101)	18,610,800	\$256,829	19.11%
Condominium (102)	16,362,300	\$225,800	16.80%
Two & Three Family (104,105)	4,492,290	\$61,994	4.61%
Multi-fam (111,112)	57,347,040	\$791,389	58.91%
Other/mixed (109, 012-018)	528,900	\$7,299	0.54%
Vacant-Res (130,131,132)	900	\$12	0.00092%
Residential	97,342,230	\$1,343,323	
COMMERCIAL	8,127,460	\$224,318	31.60%
INDUSTRIAL	1,731,500	\$47,789	6.73%
PERSONAL PROPERTY	15,858,081	\$437,683	61.66%
C.I.P. Total	25,717,041	\$709,790	
RESIDENTIAL	97,342,230	\$1,343,323	79.10%
COMMERCIAL	8,127,460	\$224,318	6.60%
INDUSTRIAL	1,731,500	\$47,789	1.41%
PERSONAL PROPERTY	15,858,081	\$437,683	12.89%
Overall New Growth	123,059,271	\$2,053,113	Total



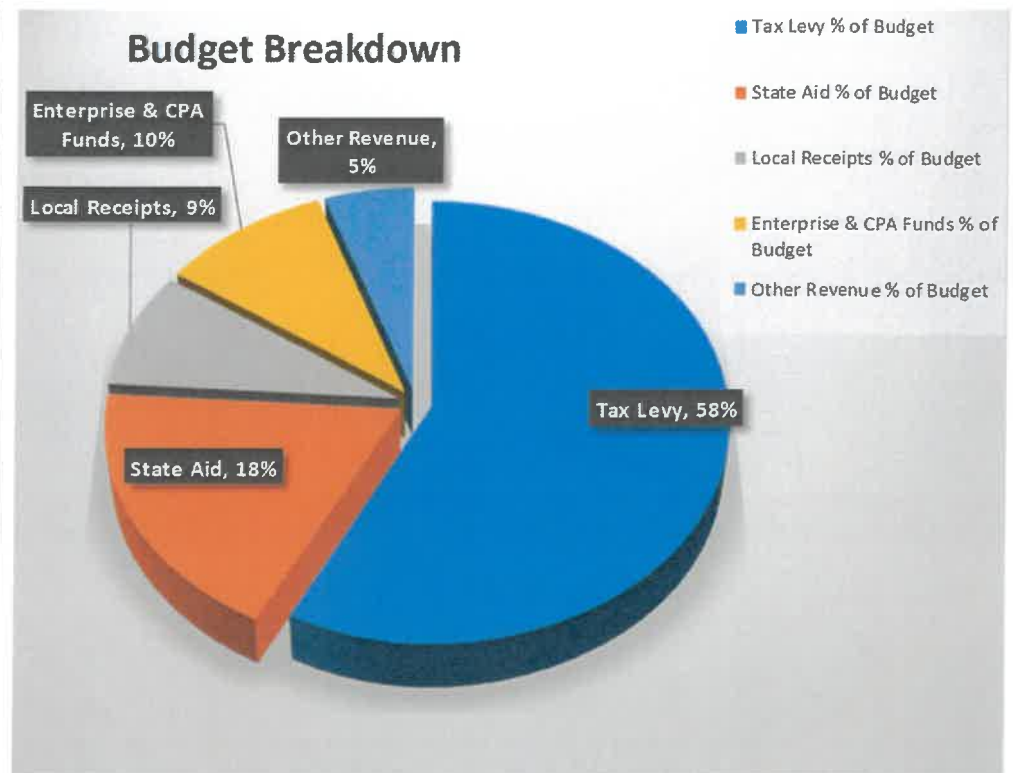
Fiscal Year	Growth over the years
2012	\$ 675,031
2013	\$ 574,980
2014	\$ 683,558
2015	\$ 667,984
2016	\$ 1,196,035
2017	\$ 1,851,206
2018	\$ 2,494,362
2019	\$ 1,500,919
2020	\$ 5,902,454
2021	\$ 1,649,602
2022	\$ 2,053,113



*2020 results included power plant growth from finished construction

Determining the Tax Levy

Total Budget and other articles approved by City Council	\$191,199,145
State Aid	\$35,244,772
Local Receipts	\$16,280,000
Enterprise & CPA Funds	\$19,079,107
Other Revenue	\$10,421,296
Amount remaining to be collected from Property Taxes (Tax Levy)	\$110,173,970
State Aid as % of Budget	18%
Local Receipts as % of Budget	9%
Enterprise & CPA Funds as % of Budget	10%
Other Revenue as % of Budget	5%
Tax Levy as % of Budget	58%



What is the Levy Limit for FY2022

Proposition 2 ½ limits the amount of revenue a community can raise through real and personal property taxes (**Tax Levy**) from year to year. The maximum amount a community can levy in any given year is called the **Levy Limit**. Under Proposition 2 ½, a community's Levy Limit increases automatically by two factors:

- 1) An incremental increase of **2.5%** of the prior year's levy limit
- 2) A dollar amount derived from the value of new construction and other growth in the local tax base since the previous year (**New Growth**).

A community can also assess additional taxes to pay the debt service (principal and interest costs) for a specific capital project (example: New School). This additional amount (**Debt Exclusion**) is added to the Levy Limit for the life of the debt. The combined total is referred to as the **Maximum Allowable Levy**.

The Maximum Allowable Levy for FY2022 is **\$116,782,246**.

The Estimated Levy for FY2022 will be **\$110,173,970**.

This leaves an Excess Levy capacity of **\$6,608,276**.
(The difference between the maximum property tax revenue a community is legally permitted to bill, and the tax bills paid)

CALCULATING THE FISCAL YEAR 2022 LEVY LIMIT

TO CALCULATE THE FY 2021 LEVY LIMIT

A. FY 2020 Levy Limit	107,591,472	
A1. Amended FY 2020 Growth		
B. ADD (IA + IA1)*2.5%	2,689,787	
C. ADD FY 2021 New Growth	1,649,602	
C1. ADD FY2021 New Growth Adjustment		
D. ADD FY 2021 Override		
E. FY 2021 Subtotal	111,930,861	
F. FY 2021 Levy Ceiling	165,220,960 I.	111,930,861
		FY 2021 Levy Limit

TO CALCULATE THE FY 2022 LEVY LIMIT

A. FY 2021 Levy Limit from I.	111,930,861	
A1. Amended FY 2021 Growth		
B. ADD (IIA + IIA1)*2.5% (.025)	2,798,272	
C. ADD FY 2022 New Growth	2,053,113	
C1. ADD FY 2022 New Growth Adjustment		
D. ADD FY 2022 Override		
E. ADD FY 2022 Subtotal	116,782,246	
F. FY 2022 Levy Ceiling	177,966,420 II.	116,782,246
		FY 2022 Levy Limit

TO CALCULATE THE FY 2022 MAXIMUM ALLOWABLE LEVY

A. FY 2022 Levy Limit from II.	116,782,246	
B. FY 2022 Debt Exclusion(s)		
C. FY 2022 Capital Expenditure Exclusion(s)		
D. FY 2022 Stabilization Fund Override		
E. FY 2022 Other Adjustment		
F. FY 2022 Water/Sewer		
G. FY 2022 Maximum Allowable Levy	116,782,246	116,782,246
		FY2022 Maximum Levy

The City Council is here to take a vote on the following:

1: Selection of a Residential Factor

Recommended at .856113 (which is 1.7 CIP shift)

2: Open Space Discount

3: Residential Exemption

4: Small Commercial Exemption




Minimum Residential Factor

The City Council must vote to determine the percentage of the Tax Levy to be paid by each class of real property and personal property for the fiscal year. In determining these percentages, the Council must first adopt a Residential Factor that must be an amount not less than the Minimum Residential Factor (**MRF**) calculated by the Commissioner of Revenue. The Residential Factor adopted governs the percentage of the tax levy to be borne by residential property owners.

- An MRF of “1” would yield a single tax rate.
- $(\text{Tax Levy} / \text{Total Value}) \times 1000 = \text{Tax Rate}$
- Tax Levy is $\$110,173,970 / \$7,118,656,790 = .015476 \times 1000 = \15.47 for FY22

Historically, Salem has adopted a **Split Tax Rate**: one for residential/open space and the other for commercial/industrial/personal property (CIP).

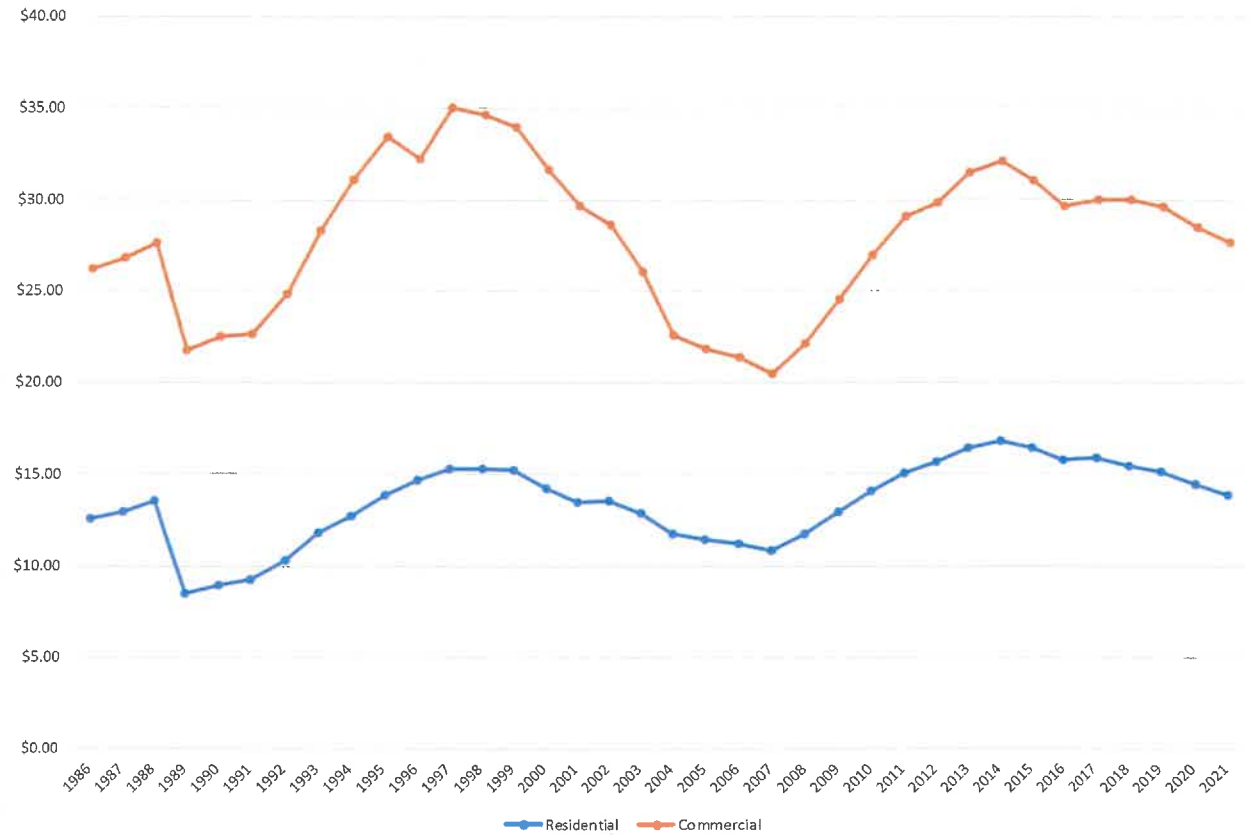
It is recommended that the City Council adopt a minimum residential factor of **.856113** for the City of Salem for FY2022.



SALEM HISTORICAL TAX RATES

FY	RES RATE	COM RATE	
1986	\$12.53	\$26.17	
1987	\$12.90	\$26.80	
1988	\$13.48	\$27.59	REVAL YEAR
1989	\$8.43	\$21.74	
1990	\$8.92	\$22.52	
1991	\$9.21	\$22.67	REVAL YEAR
1992	\$10.31	\$24.82	
1993	\$11.75	\$28.31	
1994	\$12.65	\$31.12	REVAL YEAR
1995	\$13.85	\$33.46	
1996	\$14.65	\$32.23	
1997	\$15.23	\$35.03	REVAL YEAR
1998	\$15.22	\$34.67	
1999	\$15.17	\$33.96	
2000	\$14.23	\$31.65	REVAL YEAR
2001	\$13.42	\$29.63	
2002	\$13.53	\$28.62	
2003	\$12.87	\$26.05	REVAL YEAR
2004	\$11.71	\$22.59	
2005	\$11.38	\$21.83	
2006	\$11.21	\$21.33	REVAL YEAR
2007	\$10.77	\$20.48	
2008	\$11.67	\$22.11	
2009	\$12.92	\$24.54	REVAL YEAR
2010	\$14.01	\$26.93	
2011	\$15.05	\$29.08	
2012	\$15.63	\$29.81	REVAL YEAR
2013	\$16.38	\$31.46	
2014	\$16.73	\$32.05	
2015	\$16.41	\$30.99	REVAL YEAR
2016	\$15.67	\$29.55	
2017	\$15.86	\$29.99	
2018	\$15.38	\$29.97	REVAL YEAR
2019	\$15.10	\$29.55	
2020	\$14.45	\$28.42	
2021	\$13.80	\$27.60	REVAL YEAR

Tax Rate History



*These are historic Tax Rates, not adjusted for inflation

Average Single Family Bill

Avg. Single Family Home Value	\$465,540
Avg. Bill Increase	\$97
39%	...of Salem single family homes assessed above the average.
61%	...of Salem single family homes assessed <u>BELOW</u> the average.

Average Residential Condo Bill

Average Condo Value	\$350,070
Avg. Bill Increase	\$148
47%	...of Salem residential condominiums assessed above the average.
53%	...of Salem residential condominiums assessed below the average.

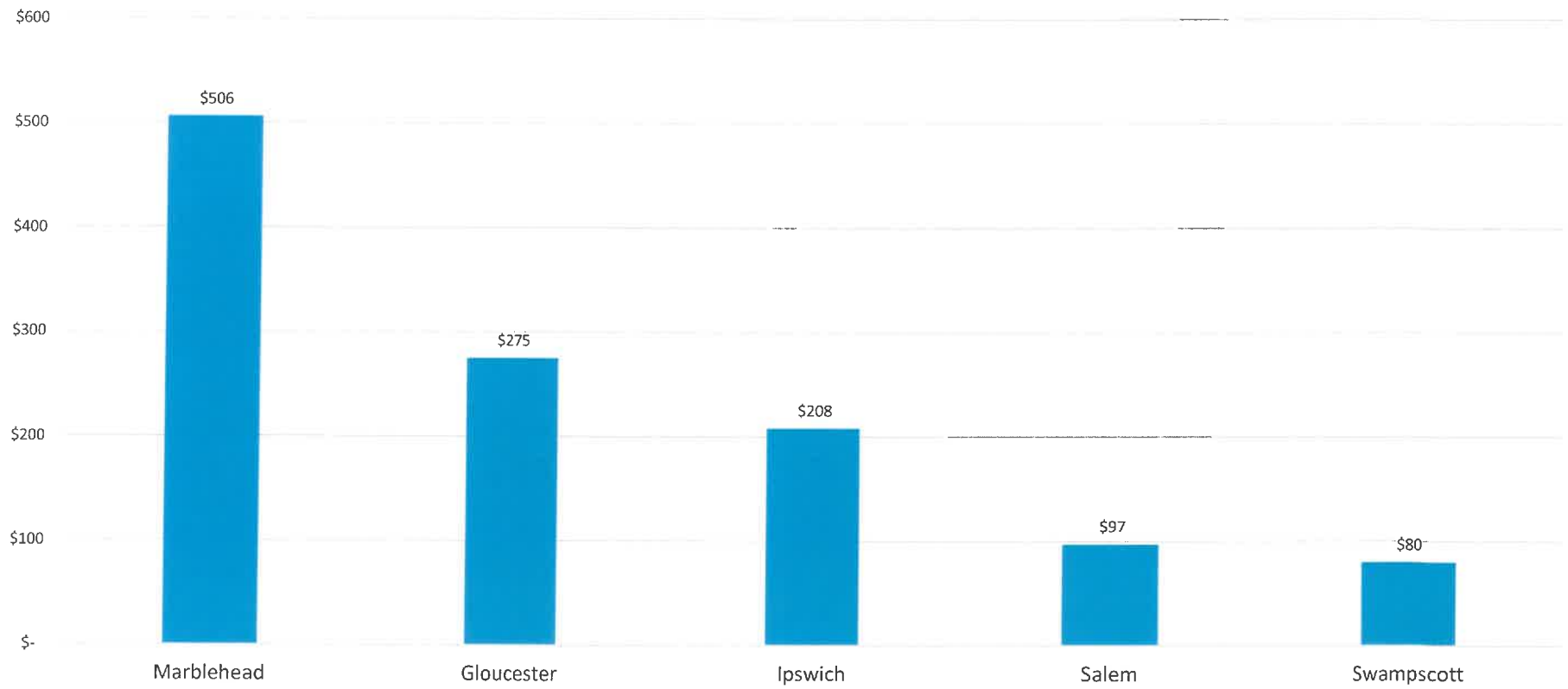
Average Single Family/Condo Bill – FY22

The average single-family bill (5,007 parcels) will increase \$97, or roughly \$8.08 per month.

The average residential condominium (4,542 units) will increase \$148, or roughly \$12.33 per month.

Single Family and Residential Condo Units make up 80% of all residential units in the City.

FY22 Average Single Family Tax Increase



Average Two Family Bill

Avg. Two Family Value	\$542,097
Avg. Two Family Bill Increase	\$350
39%	...of Salem two family homes are assessed above the average.
61%	...of Salem two family homes are assessed <u>BELOW</u> the average.

Average Three Family Bill

Avg. Three Family Value	\$622,307
Avg. Three Family Bill Increase	\$377
42%	...of Salem three family homes are assessed above the average.
58%	...of Salem three family homes are assessed <u>BELOW</u> the average.

Average Commercial

Avg. Commercial Value	\$771,342
Avg. Commercial Bill Increase	\$-167
25%	...of Salem commercial properties are assessed above the average.
75%	...of Salem commercial properties are assessed <u>BELOW</u> the average.

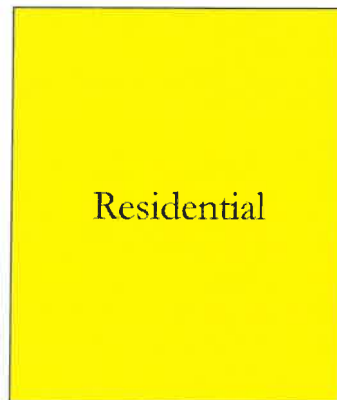
What does it mean to “adopt the residential factor?”

Class	FY21 Value	% Value	Proposed % Tax w/1.70 Shift
Residential	\$5,904,892,027	82.95%	71.01%
Commercial	\$611,299,183	8.59%	14.60%
Industrial	\$343,903,330	4.83%	8.21%
Personal Property	\$258,562,250	3.63%	6.18%

TAX LEVY CALCULATION

Assuming recommended 1.70 CIP split (.856113 MRF)

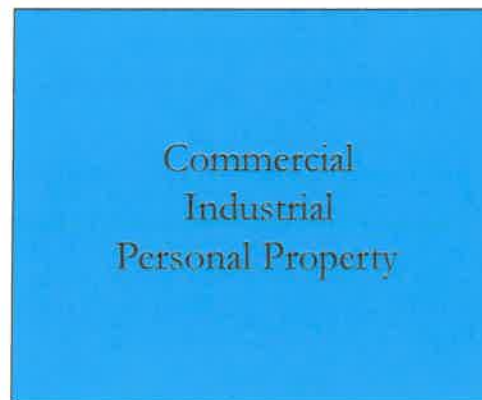
\$5,904,892,027



Residential

+

\$1,213,764,763



Commercial
Industrial
Personal Property

FY 2021 LEVY

= \$110,173,970

X

\$13.25 Tax Rate

X

\$ 26.31 Tax Rate

Additional Tax Rate Options

Additional Tax rate options may also be adopted by communities that have been certified as assessing at full fair cash value by the Department of Revenue:

- *Open Space Discount*
- *Residential Exemption*
- *Small Commercial Exemption*

The choice of either or both of the first two affects whether a community chooses to shift the tax burden within the Residential class. The third option affects the tax rate within the Commercial and Industrial classes. The following pages provide relevant information and data for each option.

The Board of Assessors has determined that these options do not pertain to Salem and such options should not be considered by the City Council.



Open Space Discount

Open Space is defined in M.G.L. Chapter 59, Section 2A as:

“...land which is not otherwise classified, and which is not taxable under the provisions of chapter sixty-one, sixty-one A or sixty-one B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public.”

An exemption of up to 25% could be adopted for property classified as Class 2 Open Space.

Currently there are no communities in Massachusetts that grant an open space discount and Salem has no parcels in Class 2 (Open Space)



Residential Exemption

The Residential Exemption reduces the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting this exemption **raises the residential tax rate** and shifts the residential tax burden from low valued and owner occupied homes to higher valued and non owner-occupied homes. An individual who is granted this exemption could still end up paying more due to the valuation threshold and the higher residential tax rate. This exemption provides for a redistribution of the tax levy among residential property owners only within the Residential Class (Class 1) and would not affect commercial properties in any way.

Adoption of a Residential Exemption is of benefit only in those communities that have a substantial number of non-primary residences.

Only 15 out of 351 communities in the Commonwealth adopted a residential exemption in FY2021. Cities and towns that utilize this tax option generally have a large percentage of rental units (Boston, Brookline, Cambridge, etc.) or a large amount of seasonal/tourist housing (Nantucket, Provincetown, Tisbury, etc.)

Analysis into this exemption does not yield an advantageous benefit for the City of Salem. Most of the improved residential parcels are the principal residences of the taxpayer on record, therefore, there is little or no benefit in adopting a Residential Exemption, one which Salem has never adopted. This program is also very costly to implement and maintain.

Communities w/ Res Exemption

Exemption up to 35% of the average assessed value of ALL residential properties.

- Barnstable-20%
- Boston-35%
- Brookline-21%
- Cambridge-30%
- Chelsea-31%
- Everett-25%
- Malden-30%
- Nantucket-25%
- Provincetown-25%
- Somerville-35%
- Tisbury-18%
- Truro-20%
- Waltham-35%
- Watertown-24%
- Wellfleet-20%

Small Commercial Exemption

An exemption of up to 10% of the property valuation may be adopted for eligible commercial properties. Granting this exemption raises the Commercial tax rate and shifts the Commercial tax burden from qualifying properties to ineligible commercial properties. This is a shift **only** in the Commercial Class and does not affect the residential properties in any way.

Exemption Guidelines

- Must be occupied as of January 1 by a business with an average annual employment of no more than 10 employees at all locations during the previous calendar year as certified by the Department of Employment & Training.
- Building value cannot exceed \$1,000,000.
- If the property has more than one business (i.e. strip mall), each business must have fewer than ten employees for the exemption to be granted (all would have to qualify).
- Exemption is granted to the owner of the real estate (building owner), **not** the business owner or renter as the law does not require the tax relief be passed through to the business owner.

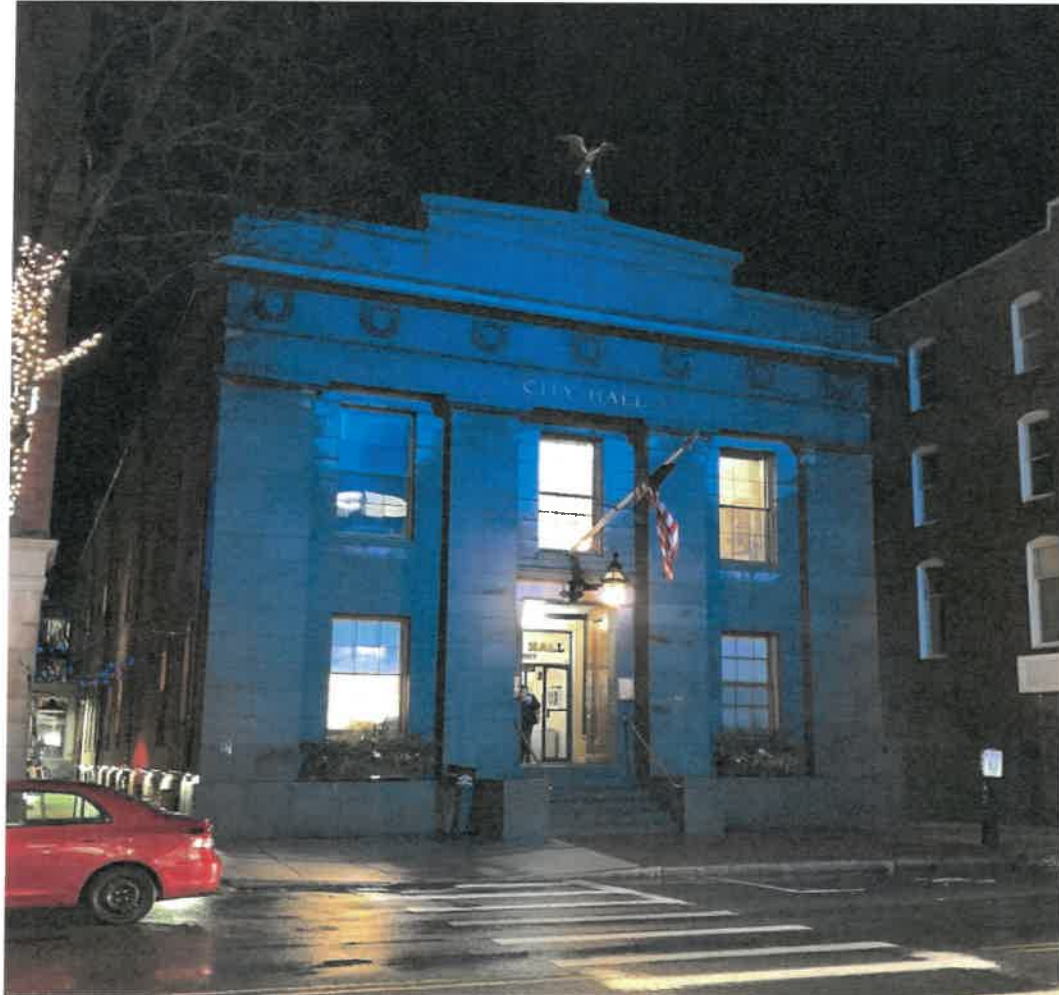
Reasons Against adopting this Exemption

- Most businesses in the City of Salem rent/lease their workspace
- Exemption would shift a greater burden onto the higher valued properties who already pay a large portion of the Total Tax Levy (14%).

This exemption is applicable in those communities that have a substantial commercial/industrial base, with a sufficient number of large employers. Less than a dozen municipalities out of 351 communities in the Commonwealth have adopted this exemption.

Towns w/ Comm Exemption

- Auburn 10%
- Avon 10%
- Bellingham 10%
- Berlin 10%
- Braintree 10%
- Chelmsford 10%
- Dartmouth 10%
- Erving 10%
- New Ashford 10%
- Seekonk 10%
- Westford 10%



THANK YOU