PROPOSITION 2½

IMPLEMENTATION OF THE LAW AND DISCUSSION OF MAJOR ISSUES

SPONSORED BY
DEPARTMENT OF REVENUE
DEPARTMENT OF EDUCATION
EXECUTIVE OFFICE OF COMMUNITIES AND DEVELOPMENT

AGENDA

8:30 - 9:00 a.m. - REGISTRATION (Worcester* Registration 1:30 p.m.)

PART I - PROCEDURES ON IMPLEMENTATION OF PROPOSITION 2½

* GENERAL EXPLANATION OF FISCAL 1982 TAX LEVY LIMITATION
  - Edward J. Collins, Jr., Deputy Commissioner, Division of Local Services Department of Revenue

* DETERMINATION OF FULL AND FAIR CASH VALUATION AS OF JANUARY 1, 1981
  - Jane Malme, Chief, Bureau of Local Assessment, Department of Revenue

* MOTOR VEHICLE EXCISE TAX
  - Timing - Anthony D. Grosso, Chief, Property Tax Bureau, Department of Revenue
  - Revenue Deficit Dilemma - Harvey Beth, Director, Bureau of Accounts, Department of Revenue

PART II - DISCUSSION OF OTHER MAJOR ISSUES

* STATE MANDATES
* SCHOOL AUTONOMY
* REGIONAL SCHOOL DISTRICT LIMITATION
* MANAGEMENT ISSUES

SPEAKERS: Richard M. Kobayashi, Executive Office of Communities and Development
Marilyn Pedalino, Department of Education

Ample time will be provided for questions and answers.

The same workshop will be given in 5 locations:

Holyoke	December 15	9:00 a.m. - Noon
*Worcester	December 15	2:00 p.m. - 5:00 p.m.
New Bedford	December 16	9:00 a.m. - Noon
Andover	December 17	9:00 a.m. - Noon
Randolph	December 18	9:00 a.m. - Noon

For directions to above locations, see other side of page.

PROPOSITION 2½

IMPLEMENTATION OF THE LAW AND DISCUSSION OF MAJOR ISSUES

Meeting Locations and Times

	TIME	PLACE	DATE
HOLYOKE	9:00 a.m.	Holyoke Community College The Forum 303 Homestead Avenue Holyoke, Massachusetts Exit 16, Rte. 91 Follow signs (413/538-7000)	Monday December 15
WORCESTER	2:00 p.m.	Quinsigamond Community College Herbert Auditorium 670 West Boylston Street (Rte. 12) Worcester, Massachusetts Exit 18 or 19, Rte. 290 (853-2300)	Monday December 15
NEW BEDFORD	9:00 a.m.	Greater New Bedford Regional Vocational Technical High School Auditorium 1121 Ashley Boulevard (Rte. 18) New Bedford, Massachusetts (998-3321)	Tuesday December 16
ANDOVER	9:00 a.m.	Greater Lawrence Regional Vocational Technical School Lecture Hall 57 River Road Andover, Massachusetts (South Lawrence River Road Exit-off Rte. 93, near Valle's) (686-0194) PARK IN BACK LOT	Wednesday December 17
RANDOLPH	9:00 a.m.	Randolph High School Auditorium Memorial Parkway Randolph, Massachusetts Off Rte. 28, at Randolph Center (963-7800)	Thursday December 18

The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

L. JOYCE HAMPERS
COMMISSIONER

December 4, 1980

Local Government Officials
Massachusetts

SUBJECT: CHAPTER 580 - An Act Limiting State and Local Taxation and Expenditures.

With the enactment of this legislation, better known as "Proposition 2½," property taxes levied by local government units will be limited beginning in fiscal 1982.

The Commissioner of Revenue pursuant to statutory responsibilities relative to State and Local Taxation is charged with implementation and interpretation of Chapter 580 as it relates to fiscal matters of all local government units.

At this time certain decisions have been made regarding effective dates of the new law and the methods for determination of full and fair cash value and the limitation thereto.

EFFECTIVE DATES:

The law as enacted by the voters did not have an effective date section and, therefore, as is the case in all comparable tax legislation, the effective dates begin with the next prospective full taxing period where the change affects the assessment of a tax.

In the case of the Motor Vehicle and Trailer Excise the provisions will apply to calendar year 1981 excise bills. All calendar 1980 bills, regardless of when mailed, will remain at the rate of sixty-six dollars per $1,000 of value and all calendar 1981 bills will be on the basis of twenty-five dollars per $1,000 of value.

We have been advised by the Registry of Motor Vehicles that Cities and Towns can expect to receive their calendar year 1981 excise bill commitments at approximately the same time in 1981 as they did in 1980.

Cities and Towns that have not set their fiscal 1981 tax rates on the basis that calendar 1981 excise bills would bear the reduction mandated by Chapter 580 may have a revenue short-fall unless sufficient free cash is available or becomes available by curtailment of fiscal year 1981 expenditures previously appropriated.

Any revenue deficits existing at the close of fiscal year 1981 are required to be raised in the next year's tax levy, thereby further impacting fiscal 1982 budgets.

The property tax levy provision of Chapter 580 will become effective for fiscal 1982 and tax rates will be approved by the Commissioner of Revenue after certification that the limitations have been met.

<u>FULL AND FAIR CASH VALUE:</u>

Chapter 580 requires the limitation to be measured against a community's full and fair cash value; and since its provisions will first be effective with the fiscal 1982 tax bills, the determination of value will be made as of the assessment date of January 1, 1981.

The preliminary full and fair cash valuation of each city and town as of January 1, 1981 has been determined by using its final 1980 Equalized Valuation updated to January 1, 1981 by a uniform inflation factor of thirteen percent (13%), except in those communities where an approved revaluation program has or will be completed for fiscal 1981 or fiscal 1982 in which case those new certified full and fair cash value figures will be substituted for the preliminary numbers. We will also allow communities not assessing property at full and fair cash value to submit information in accordance with guidelines and instructions to be issued shortly by the Department of Revenue concerning changes to the tax base and/or market values between January 1,1980 and January 1, 1981 which clearly indicates a change in value from that preliminarily determined on the basis of the 1980 Equalized Values as adjusted.

FISCAL 1982 TAX LEVY LIMITATION:

We have enclosed a form and explanatory instructions which gives each community its maximum levy limit for fiscal 1982 based upon the preliminary determination of full and fair cash value as of 1/1/81.

Even though this limit may change as the final fiscal 1982 full and fair cash values are substituted for the preliminary numbers, it is being sent at this time to aid communities presently in the process of developing budgets for the upcoming fiscal year.

ADMINISTRATION:

The Department of Revenue's Division of Local Services headed by Deputy Commissioner Edward J. Collins, Jr. will have overall responsibility for implementation of the local tax provisions of Chapter 580.

Questions relating to the determination of full and fair cash value should be directed to the Bureau of Local Assessment, preferably in writing, at P.O. Box 7032, Boston, Massachusetts 02204.

All other questions should be forwarded, again in writing, when possible, to the Property Tax Bureau, P.O. Box 7014, Boston, Massachusetts 02204.

Separate telephones have been installed and will be staffed during all business hours for your convenience. The direct lines are:

Bureau of Local Assessment	727-0746
Property Tax Bureau	727-0516

Every effort will be made to respond timely and accurately to your inquiry.

As we progress with the implementation of this most complex law, we will issue additional informational releases to keep you informed.

CONCLUSION:

I would like to stress once again that we are sending you the levy limits for fiscal 1982 so that you can proceed with the budget preparation process at this time.

We urge you not to put off preparation of budgets pending final valuation figures, state aid determinations, or finalization of any proposed legislative changes to Chapter 580.

A smooth, orderly implementation will require advance planning and mutual cooperation between city and town departments as well as clear and concise information from us.

Based on the tremendous cooperation we received from local officials in implementing the Tax Cap over the last two years we anticipate an efficient and successful implementation of this new law and thank you in advance for your efforts.

Very truly yours,

L. Joyce Hampers

L. Joyce Hampers,
Commissioner

cc: Mayors
Selectmen
Town and City Managers
School Superintendents
Assessors
Accountants and Auditors

THE COMMONWEALTH OF MASSACHUSETTS

Department of Revenue

100 Cambridge Street, Boston 02204

INSTRUCTIONS FOR FISCAL 1982 TAX LEVY LIMITATION

Part I - PRELIMINARY LEVY LIMIT

A. Preliminary 1/1/81 Full and Fair Cash Value:

The preliminary full and fair cash valuation of each city and town as of January 1, 1981 has been determined by using its final 1980 Equalized Valuation* updated to January 1, 1981 by a uniform inflation factor of thirteen percent (13%). In those cities and towns with assessments as of January 1, 1980 certified by the Commissioner at full and fair cash value, the certified full value assessment of all taxable real and personal property will serve as the preliminary valuation.

Adjustments of the preliminary valuation may be sought by the assessors in accordance with guidelines and instructions to be issued shortly by the Department's Bureau of Local Assessment.

These guidelines will establish the requirements for the following types of cases:

a) In cities and towns with certified full and fair cash value as of January 1, 1980, the assessors shall adjust assessments to reflect additions to the tax base and changes in market values between January 1, 1980 and January 1, 1981. Such adjustments will be required to be included in assessments on which fiscal 1982 tax bills are issued.

b) In cities and towns scheduled for implementation of new and full and fair cash values as of January 1, 1981, in accordance with revaluation programs approved by the Commissioner, the assessors will be authorized to substitute the new certified full and fair cash valuation of taxable real and personal property for the preliminary valuation.

c) In the remaining communities where assessments do not reflect full and fair cash value and where approved revaluation programs will not achieve certified full and fair cash value assessments in time for fiscal year 1982 tax billing, the assessors may submit information, in accordance with Bureau of Local Assessment guidelines, concerning changes to the tax base and/or market values in their community between January 1, 1980 and January 1, 1981. If the Commissioner finds that the information on market values clearly indicates a change of value from the 1980 Equalized Valuation different

*The Final Equalized Valuations of those communities with Chapter 121A property will also include the value of that property in accordance with Chapter 456 of the Acts of 1980.

from the state-wide average of thirteen percent (13%) the preliminary valuation will be adjusted accordingly.

B. Limitation Percentage:

The limitation percentage will be .025 (2½%) except in those communities whose F.Y. 1979 tax levy was less than 2½% of its F.Y. 1979 full and fair cash value, in which case such lower percentage will be used.

In determining this lower percentage the full and fair cash value for F.Y. 1979 is the 1978 Equalized Valuation <u>or</u> the total assessed value as of January 1, 1978 whichever is greater.

C. Fiscal Year 1981 Tax Levy:

This is the total taxes levied on property for F.Y. 1981 as submitted by the local assessor in the Tax Rate Recapitulation Form used in setting the F.Y. 1981 tax rate.

Part ID and Parts II and III are not being completed in those communities that have not set a tax rate for F.Y. 1981 at the time of mailing the <u>Fiscal 1982 Tax Levy Limitation</u> form.

When the F.Y. 1981 tax rate is certified by the Commissioner a complete <u>Fiscal 1982 Tax Levy Limitation</u> form will be issued.

<u>Part II - 1981 Levy in Excess of Preliminary Levy Limit</u>

If the F.Y. 1981 tax levy is <u>in excess</u> of the Preliminary Levy Limit, the Maximum Levy Limit for F.Y. 1982 has been established by completing items A, B and C of Part II.

<u>Part III - 2½% Levy Growth Limitation</u>

If the F.Y. 1981 tax levy is <u>not in excess</u> of the Preliminary Levy Limit, the allowable growth in the F.Y. 1982 Levy has been established by completing items A & B of Part III.

THE COMMONWEALTH OF MASSACHUSETTS

Department of Revenue

100 Cambridge Street, Boston 02204

FISCAL 1982 TAX LEVY LIMITATION

City, Town or District CAMBRIDGE

I Preliminary Levy Limit

A. Preliminary 1/1/81 Full & Fair Cash Value $ 1,457,117,000

B. Limitation Percentage - .025 (or such lower percentage applicable to F.Y. 1979 as computed below) .025000 *

C. Preliminary Levy Limit (IA times IB) $ 36427925.

D. F.Y. 1981 Tax Levy $ 79,961,426

II 1981 Levy in Excess of Preliminary Levy Limit

Complete if ID exceeds IC

A. Excess of F.Y. 1981 Tax Levy over Preliminary Levy Limit (ID minus IC) $ 43,533,501

B. 15% of F.Y. 1981 Tax Levy (ID times .15) $ 11,994,214

C. Levy Limit for F.Y. 1982 (ID minus either IIA or IIB, whichever is smaller, Omit Part III) $ 67,967,212

III 2½% Levy Growth Limitation

Complete if IC exceeds ID

A. 2½% annual growth (ID times .025) $

B. Levy Limit for F.Y. 1982 (ID plus IIIA; but not more than IC) $

MAXIMUM LEVY LIMIT FOR F.Y. 1982 (IIC OR IIIB, WHICHEVER IS APPLICABLE) $ 67,967,212

*For those communities with a IB limitation percentage less than .025

1. Full and Fair Cash Value 1/1/78 $
2. Levy F.Y. 1979 $
3. Limitation Percentage 2 ÷ 1

CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

December 8, 1980

To the Honorable, the City Council:

I am enclosing herewith a copy of a communication which I received this morning from the State Department of Revenue relative to Proposition 2½.

Very truly yours,

James L. Sullivan
City Manager

JLS/mbf
Enc.

Agenda # 9 S/ 554

Information received from the State Dept.
of Revenue relative to Proposition 2½.

In City Council,

December 8, 1980

12/8/1980

Placed on File.