

SRAC Position Paper on the Residential Exemption

The residential exemption does not serve the best interests of the Town of Chatham, and should not be adopted. The residential exemption provides no additional revenue to the Town and is generally referred to as revenue neutral. For Chatham, however, it would add a layer of expense by requiring an additional employee to support the Assessor at a cost last estimated at \$35,000 plus benefits. The residential exemption simply moves money around by taking it away from some taxpayers (not just summer residents but also certain full-time residents who will be excluded) and giving it to other taxpayers in a fashion not based on any plan to achieve Chatham's goals and with a high risk of unintended consequences. Only one thing is certain about the residential exemption: Chatham's Tax Rate will go up to compensate for the reduction in assessments, and that higher rate will apply not only to residential property owned by summer residents, but also to all ineligible residential property owned or rented by full time residents.

The Residential Exemption is Unfair to Summer Residents

Each year, pursuant to statute, the Assessors determine the fair market value of real estate in Chatham and make a professional recommendation to the Select Board. Although the current recommendation has not been made as of this writing, it is instructive to look at the 2020 recommendation in which a unanimous Board of Assessors voted against the residential exemption, as it has done in the past, stating:

“The Assessors do not recommend granting the Residential Exemption as this results in shifting the tax levy share not between the Classes but between the residential class itself. Personal Property is assessed to taxpayers whose residence is not in Chatham. The personal property tax is based on two percent of the building cost. There is a \$10,000 exemption for personal property tax which requires an assessed value on the building of \$500,000 or more in order to receive a personal property bill. The result being that part-time residents on the higher assessed values will pay a personal property tax on the contents of their Chatham homes which residents do not pay. The part-time residents customarily place fewer demands on municipal services. The assessors feel that the residential

exemption would be inequitable to create this separation strata within the residential class.”

While the exact value of summer resident’s homes has not been calculated, it has been estimated in the past that they pay over 63% of the residential property tax due to the high assessed value of many of those homes. Those values have continued to climb. Thus, they are a major factor in allowing Chatham to have a first-rate infrastructure supported by a low tax rate. At the same time, as part time residents they make only part time use of most town services and infrastructure and no use at all of the school system. At the June 22,2020 Town Meeting, the Monomoy Regional School District budget was approved at \$9,019,089. Also, at the 2021 Town Meeting a (1/2%) Real Estate Transfer Tax was imposed on the purchase of homes for over \$2,000,000, a large portion of which homes are owned by summer residents. This is in addition to the personal property tax on residential property imposed only on summer residents. Even as part time residents they undertake all the commitments and involvement that one would expect from good neighbors.

The Residential Exemption is Unfair to Some Full Time Residents

Massachusetts General Law affords the Select Board an option to apply a residential exemption to all Class One residential parcels which are the principal residence of a taxpayer as used by the taxpayer for income tax purposes. Not all full time Chatham residents will benefit from the residential exemption. Those full time residents whose residential properties are not eligible for the exemption will pay more in taxes than they would have paid without the residential exemption. Ineligible residents include:

- Residents whose homes are owned by trusts or LLCs that do not grant the resident a required beneficial interest in the property. This may burden many older residents who have plans to leave valuable homes to their families but not the income to pay increased taxes.
- Residents whose homes are assessed at a value above the “breakeven point”, that is, the value at which the additional tax imposed by the increased rate exceeds the savings offered by a reduced assessment. This may particularly impact people who have lived in Chatham all their lives or in homes owned by families for generations, which have benefited from the rising value of property in Chatham. They will pay a higher tax than if the residential exemption had not been adopted.

- Residents who own more than one residential property will be eligible for the exemption only for the residence they own and occupy, but will pay a higher tax rate on their other residential parcels, such as year-round or seasonal rented homes, condos, apartments and land, than they would have paid if the residential exemption had not been adopted. In cases of leased properties, such tax increases could be passed on to low income renters making the impact of a residential exemption regressive and running counter to Chatham's goal of providing more affordable housing for younger workers and families. Such increased costs may have a negative impact on developing rental properties. How will the Assessors or the Select Board explain to these Chatham full time residents the need to increase their taxes for the benefit of other residents who may or may not be needy?

Chatham's Goals Will be Better Served by Focusing on Specific Projects.

One problem with the high assessed values and appreciation of Chatham homes is that it makes it difficult for young working families to purchase a home here. Adopting the residential exemption is not a solution, as it is not going to make the price or costs of a home in Chatham any more affordable. The solution for home ownership by lower income families in Chatham lies more broadly in the town's adoption of new zoning bylaws, creating necessary incentives that encourage the construction of moderately priced homes and placing appropriate requirements on the purchase and resale of those homes. The Summer Residents Advisory Committee has supported such projects and lent its expertise to create design proposals. The new ½% Tax will fall mostly on Summer Residents and will support this type of housing.

Similarly, programs related to child care for working families and services for the elderly can best be pursued with the revenues available to the town without making the disruptive and largely unproductive changes that flow from a residential exemption. Chatham also has a whole range of exemptions and deferrals to assist those in need including qualified property owners, veterans, and seniors. The Town can continue and perhaps expand its efforts to ensure they are utilized.

Even the 2021 Town Meeting rejected a petitioned article to advise the Select Board to implement a Residential Real Estate Tax Exemption at the level of 20% and to annually consider raising, but not lowering the exemption level. The

Select Board and the Finance Committee unanimously opposed it and the Town Meeting voted it down 76 to 46.

Conclusion

Chatham summer residents are good neighbors and an integral part of the community. They take great pride in Chatham and its success as a community as much as Chatham full time residents. They contribute their time and money to Chatham's charitable organizations, places of worship, and other community sponsored activities. Summer residents are major purchasers of goods and services of Chatham businesses. The Summer Residents Advisory Committee has worked with the Town to fight for our rights on Monomoy, to support the fishermen's use of the fish pier, and transparent access to moorings and waterways in general and to support the town wide sewer system and our schools. For the foregoing reasons, SRAC recommends that the Select Board continue its long standing and well based policy of not adopting a residential exemption.