

# Residential Tax Exemption

Summer Town Meeting  
Mike Waters, SRAC Member  
August 9, 2022

# Chatham Residential Tax Data

	2012	2017	2022
Total Residential Property Assessments	\$5.46 B No increase from 2009	\$5.99 B 10% increase from 2012	\$7.75 B 29% increase from 2017
Tax Rate per \$1,000	\$4.45	\$5.03	\$4.62*
Total Residential Tax Receipts	\$24.3 M	\$30.1 M	\$35.8 M

\*Average tax rate for Cape Cod Towns w/residential tax exemption: \$7.71

## 2022 Residential Tax Receipts

65% of Tax Dollars from Summer Residents =	\$23.27 M
35% of Tax Dollars from Full Time Residents =	\$12.53 M

# What is the residential tax exemption?

- ▶ Under Massachusetts Law, the residential tax exemption is an unequally applied tax that Towns can implement, resulting in higher taxes paid by part time residents and some full-time residents.
- ▶ When a Town adopts the residential exemption, it can set a percentage by which the assessed values of homes of qualified full-time residents are reduced. The tax rate is then increased to make up the revenue lost by reducing the assessments and the new rate is applied to all residential property. The residential exemption provides no additional tax revenue, but rather adds an administrative cost to move money from some taxpayers to others.
- ▶ Each Year the Board of Assessors makes a Recommendation on Tax Rates
- ▶ The Select Board can Adopt a Residential Exemption- A Percentage Reduction of the Assessed Value of Full Time Residents Homes
- ▶ The Full Time Resident must Apply for and Prove They are Entitled to the Exemption
- ▶ To Make Up the Revenue Lost From Reduced Assessments, The Tax Rate is increased on All Residential and Personal Property

# Chatham Town Assessors' Views

## 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.
- A unanimous Board of Assessors voted in 2020 against the residential exemption 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.”

# Town Spotlight: Town of Truro's Adoption

Taken from Truro Assessor's Office - Application for Residential Tax Exemption  
Fiscal Year 2022

- ▶ **REQUIRED DOCUMENTATION:**
- ▶ Signed copies of 2021 Federal Income Tax Return form 1040 (first 2 pages) and 2021 Massachusetts (full-year resident) Tax Return Form 1 (first 2 pages). (Redaction of SSNs/income)
- ▶ Massachusetts Driver's License of the applicant showing Truro street residence as of 1/1/2022.
- ▶ Registration (as of 1/1/2022) of at least one vehicle garaged at Truro street residence.
- ▶ Proof of 2022 Motor Vehicle Excise Tax paid to Town of Truro.
- ▶ Copy of fiscal year 2022 Real Estate tax bill.
- ▶ Must be listed as a resident on the Town Clerk's census/street listing as of 1/1/2022. *This is required, but applicant does not have to provide documentation.*
- ▶ If the property is owned by a TRUST, the applicant must provide a copy of the recorded Trust (recorded with the Barnstable County Registry of Deeds), and a statement listing the Beneficiaries. The applicant's documents must demonstrate that the applicant(s) is/are trustees of the trust as well as maintain a beneficial interest in the Trust.

Source: Town of Truro: [https://www.truro-ma.gov/sites/g/files/vyhlf3936/f/uploads/res\\_ex\\_eligibility\\_requirements\\_for\\_fy23.pdf](https://www.truro-ma.gov/sites/g/files/vyhlf3936/f/uploads/res_ex_eligibility_requirements_for_fy23.pdf)

# The Residential Exemption Will Hurt Some Full Time Residents

- ▶ Tax exemption would not apply to full time residents whose homes are owned by:
  - ▶ trusts that do not grant the resident the required beneficial interest in the property; or
  - ▶ LLCs or similar legal entities
- ▶ Tax exemption would not apply to full time residents whose homes are assessed at a value above the “break-even point,” that is the value at which the additional tax imposed by the increased rate exceeds the savings offered by a reduced assessment.
- ▶ Full time residents who own more than one residential property will be eligible for the residential exemption only on the residence they own and occupy year-round. They will pay an increased tax on all other residential properties they own, including rented homes, condos and apartments.

# Chatham Scorecard

Summer Town Meeting

Jamie Meehan, Chair

August 9, 2022

# Residential Tax, Value and Sales Prices

Fiscal Year 2022	Chatham	Cape Average
Tax Rate per \$1,000	\$4.62	\$8.09
Average Tax Bill	\$5,164	\$5,416
Average Single Family Assessed Value	\$1,117,752	\$685,612
Single Family Tax Bill as Percentage of Assessed Value	.46%	.82%
Median Sales Price	\$1,575,000	\$710,751

Note: Cape average includes towns with residential tax exemption.

Source: Town of Chatham <https://www.chatham-ma.gov/158/Assessing>

And Cape Cod & Islands Association of Realtors <http://capecod.stats.10kresearch.com/reports>