

Recommendation to Adopt the Minimum Residential Factor (“MRF”)



Select Board Meeting
December 4, 2024



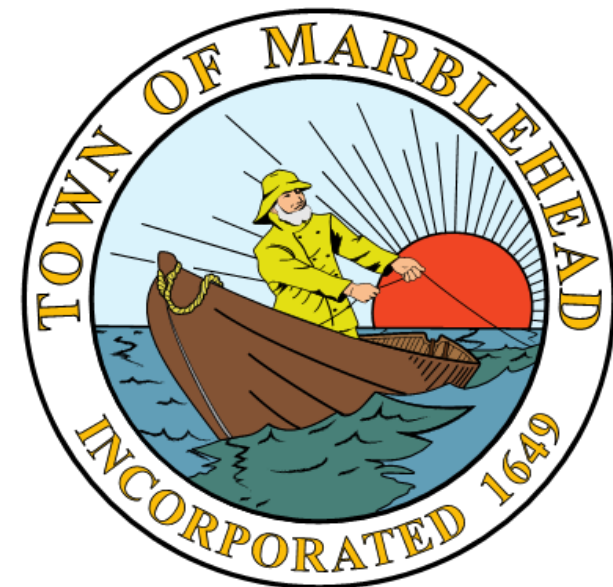
Minimum Residential Factor (MRF)

The Select Board 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 Select Board 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. Once the Department of Revenue (DOR) certifies the Board of Assessors values, the vote is presented to the Select Board for approval after a public hearing. Approval of the MRF ensures the maximum tax relief to Marblehead's residents allowable under the law. MGL Chapter 200 allows communities to use a CIP of up to 1.50.

What does the number represent?

The figure proposed to the Marblehead Select Board is based on a residential factor of "1" that will result in the taxation of all classes of property at the same rate.

By adopting a residential factor either at or above the minimum established by the DOR, a city or town is assured that the tax levies for each class of real and for personal property will fall within the limits prescribed by law.



The Select Board may vote to:

Adopt a residential factor of “1” that will result in the taxation of all classes of property at the same rate. Adopt a low residential factor (no lower than statutory minimum) which will result in the residential class bearing a proportionately lower share of the total levy by shifting a larger portion to the commercial, industrial and personal property classes.

This option is often referred to as split rate: one for residential/ open space, the other for commercial, industrial and personal property.

The commercial, industrial, and personal property base is a very small percentage of the total value of all property. In Marblehead the residential base makes up 95% of the total value of all property. Historically the Select Board has adopted a residential factor of 1.



Residential Exemption

Classification also allows the Select Board to grant an exemption of up to 20% of the average assessed value of all Class One residential parcels, which are the principal residences of the taxpayer.

The residential exemption reduces the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting the exemption raises the residential tax rate for all classes and shifts the residential tax burden from low valued homes to higher valued homes. Adoption of a residential exemption is of benefit only in those communities that have a substantial number of nonprimary residences.

As almost all the improved residential parcels are the principal residences of the taxpayer, there is little or no benefit in adopting a residential exemption in Marblehead.

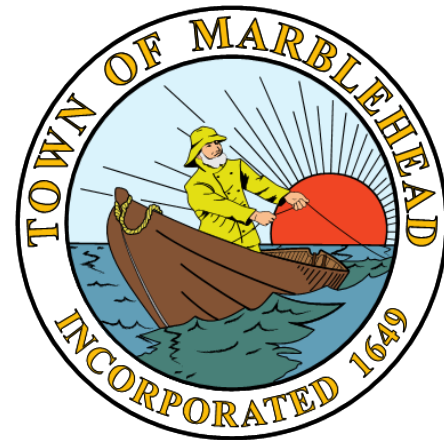


Small Commercial Exemption

Chapter 220, SS.112 and 187 of the Acts of 1993 provide for an exemption of up to 10% of the assessed value for Commercial properties with an assessment of less than \$1,000,000 dollars and employing not more than ten (10) people in the preceding calendar year.

This particular exemption benefits only the property owner, as the law does not require the tax relief be passed through to the business owner. If adopted, this exemption shifts the tax burden onto other Commercial and Industrial properties.

This exemption is applicable in those communities that have a substantial commercial/industrial base, with a sufficient number of large employers.

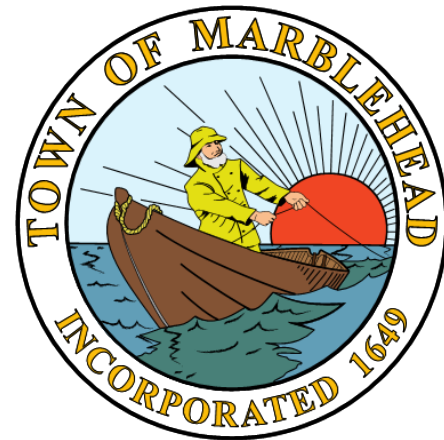


Open Space Discount

Chapter 59 Section 2A allows for a maximum of 25% exemption for property classified as Open Space.

“Class Two, open space” is land which is not otherwise classified, and which is not taxable under the provisions of chapters 61, 61A, or 61B, 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 general public.

The Board of Assessors has determined that no property in Town meets the strict definition of open space.



Property Classification

The Assessor's job starts by determining if a property is real or personal. State law requires that the assessor further classify real property into one of four categories depending on property use. The four real property use categories are: residential, commercial, industrial, or open space.

Property classification allows the assessor to choose the best valuation methods for valuing the property and enables the fair and equitable distribution of the tax burden.

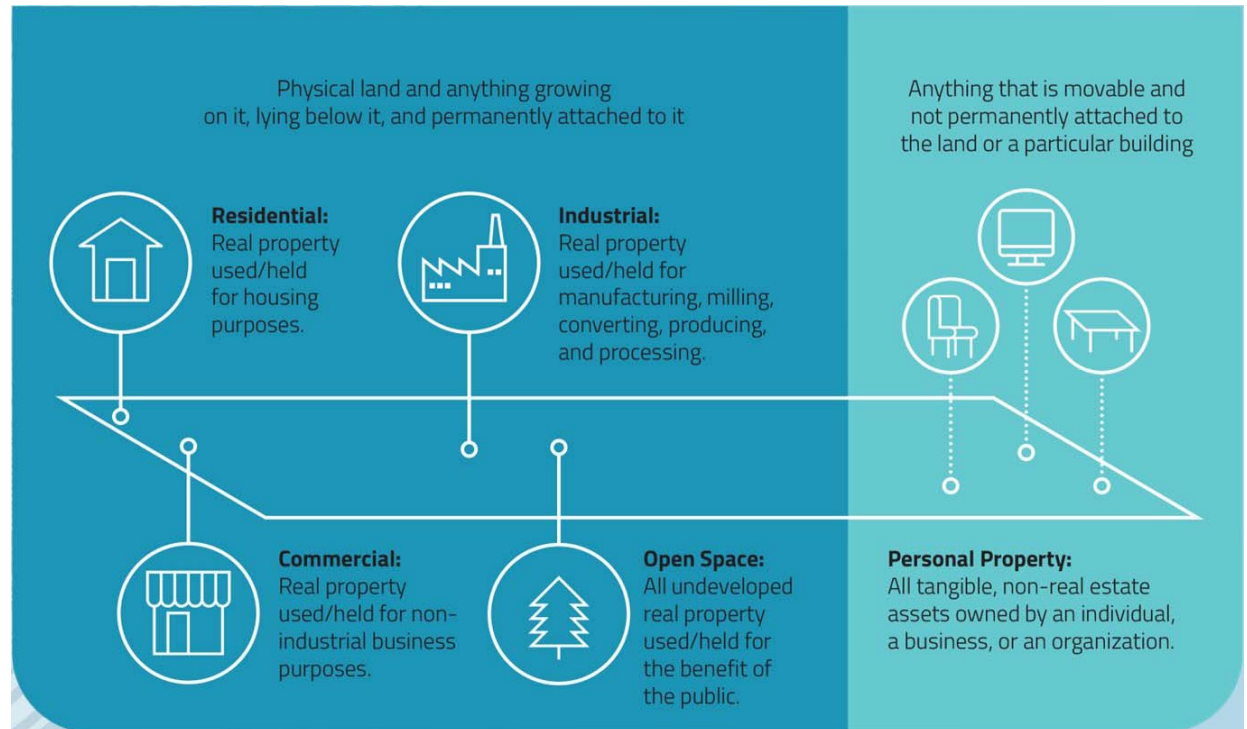
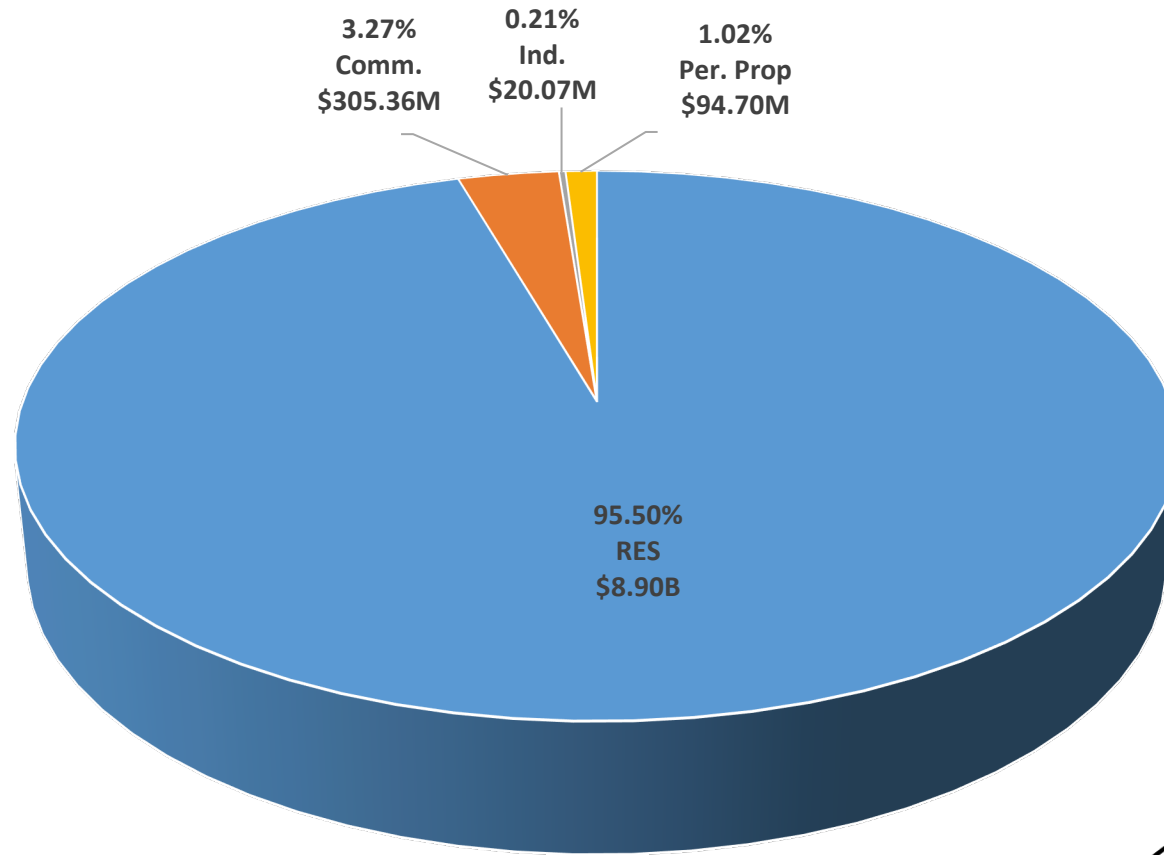


Photo: Rob Kipp

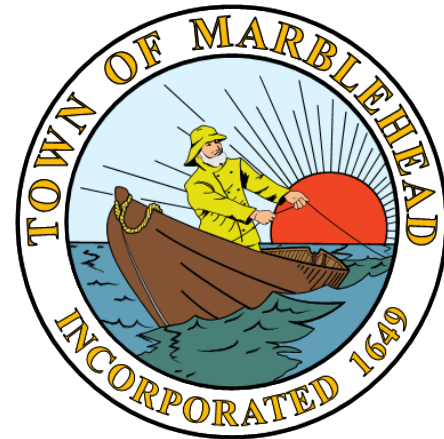
Fiscal Year 2025

Total Value,
All
Property:
\$9.3BN

*Please note that due
to rounding, amounts
reported are
approximate.*



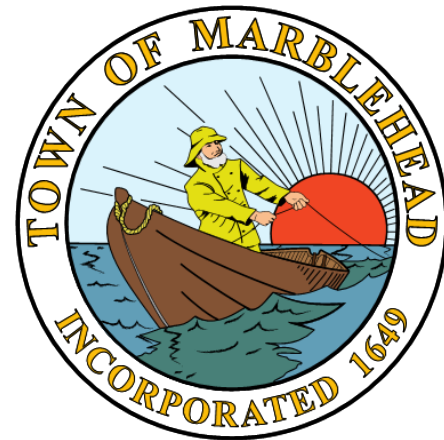
■ Residential ■ Commercial ■ Industrial ■ Pers Prop



Fiscal Year 2025

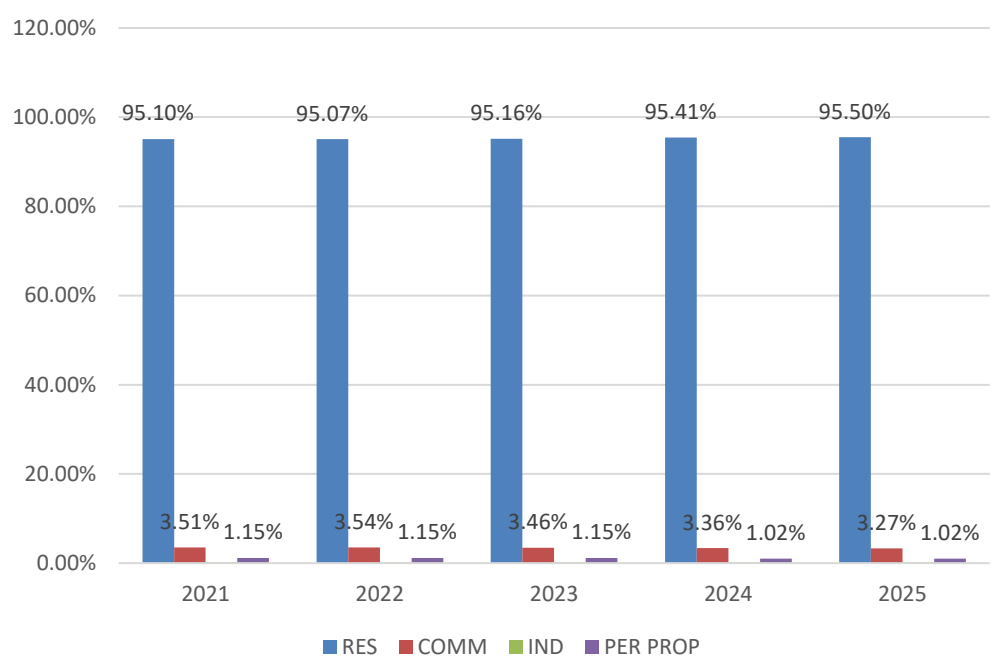
PROPERTY CLASS	FY24 VALUATION	FY25 VALUATION	% Change
Residential	\$8,749,663,529	\$8,904,645,206	1.77%
Commercial	\$308,544,284	\$305,367,857	-1.03%
Industrial	\$19,335,500	\$20,007,500	3.48%
Personal	\$93,384,480	\$94,700,350	1.41%
TOTAL	\$9,170,927,793	\$9,324,720,913	1.68%

Exempt Property in FY25 totals \$541,373,900 (5.81% of total taxable value in the Town – 322 total parcels



Assessed Value Fiscal Year 2021 – 2025

Fiscal Year 2021–2025
Assessed Value % by Fiscal Year



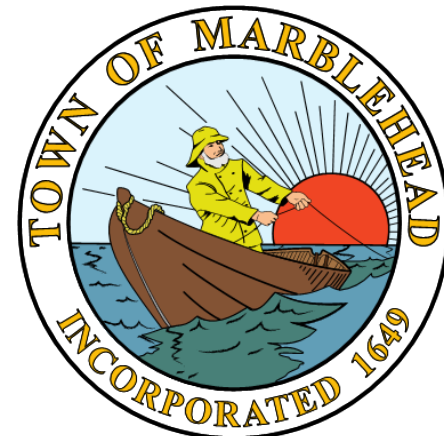
Assessed Values
Fiscal Year 2021–2025

Fiscal Year	Residential	Commercial	Industrial	Personal Property	Total
2021	6,605,727,026	243,872,720	16,653,500	79,764,010	6,946,017,256
2022	6,893,368,297	257,038,911	17,593,000	83,162,860	7,251,163,068
2023	7,525,504,672	273,846,443	18,303,300	90,872,590	7,908,527,005
2024	8,749,663,529	308,544,284	19,335,500	93,384,480	9,170,927,793
2025	8,904,645,206	305,367,857	20,007,500	94,700,350	9,324,720,913



Average Assessed Value Change By Property Type

Property Type	FY 24 Average	FY 25 Average	Percentage Change
Single Family	\$1,202,931	\$1,217,640	1.22%
Condominium	\$566,659	\$573,142	1.14%
Two Family	\$941,147	\$1,007,524	7.05%
Three Family	\$923,295	\$1,012,901	9.71%
Apartments	\$1,334,664	\$1,765,349	32.27%
Commercial	\$1,017,545	\$1,003,187	-1.41%
Industrial	\$1,074,194	\$1,111,528	3.48%



New Growth Fiscal Year 2025

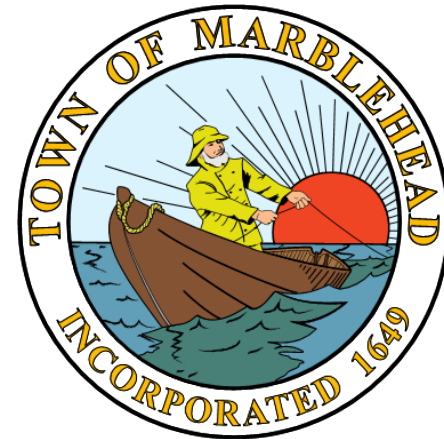
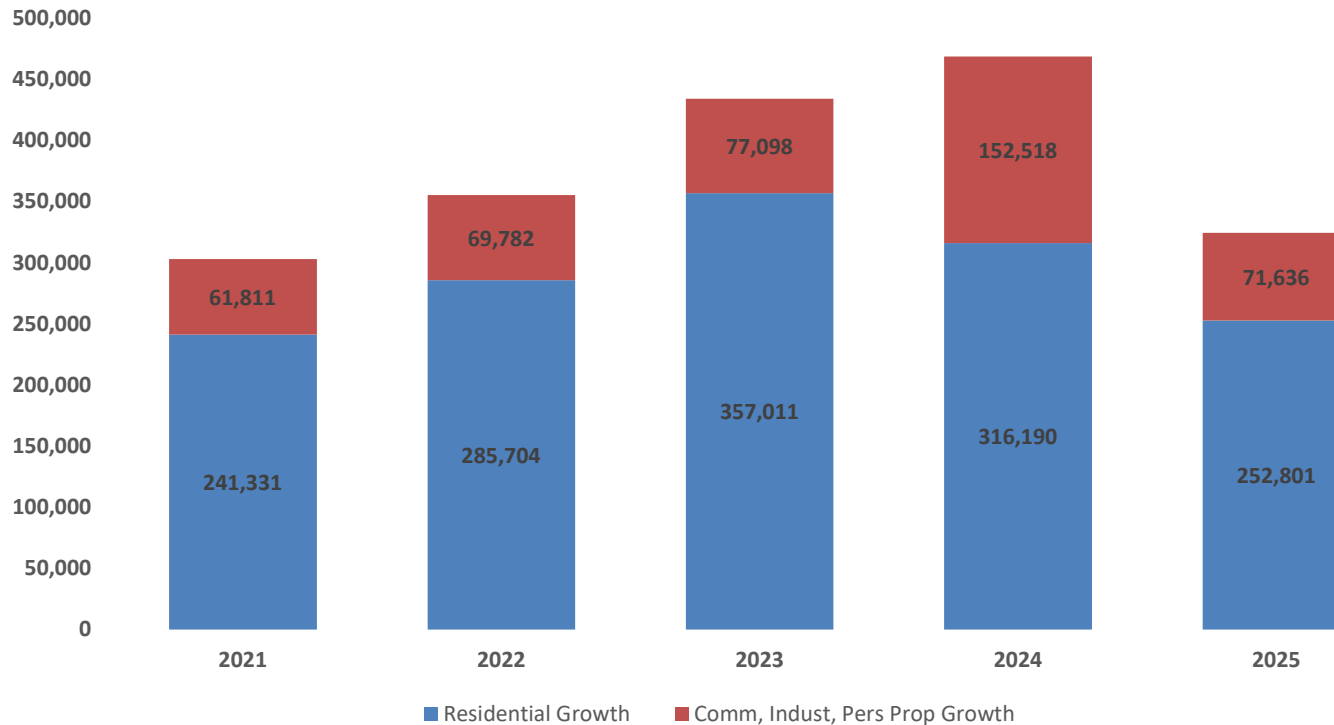
Real Estate

New growth is an increase in assessed value over a prior year because of new construction or physical improvements to a property. New growth also includes parcels that were previously exempt from property taxation but have returned back to the tax roll. Subdivisions and condo conversions are also considered new growth the first time they are taxed as separate parcels.

Personal Property

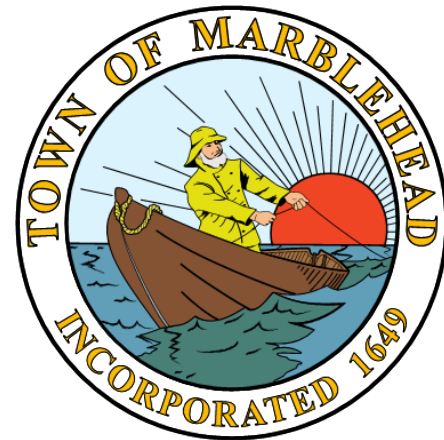
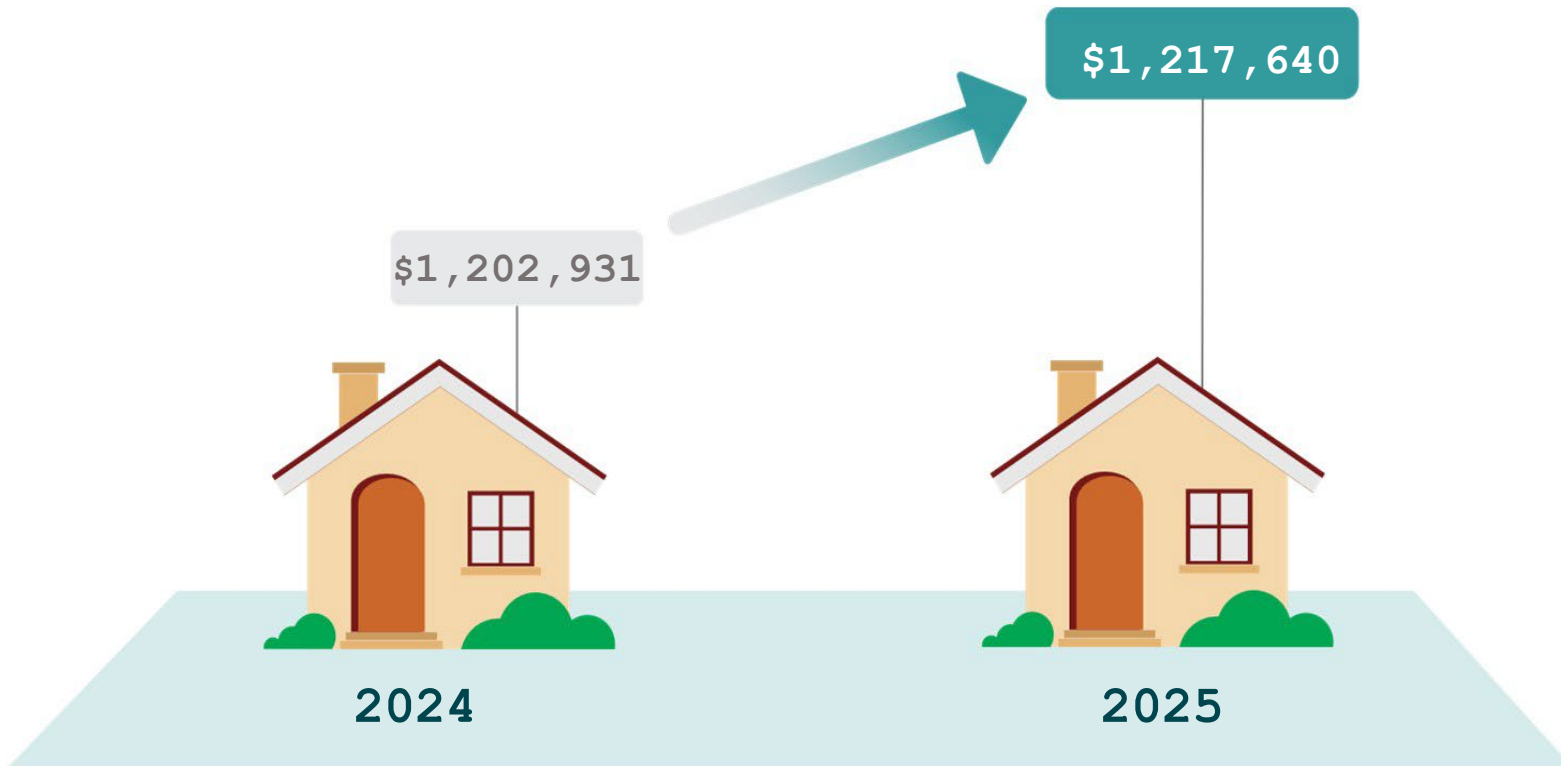
When a new business opens in Marblehead, the business' assets are considered new growth. Likewise, if an existing business purchases new assets, those assets are considered new growth.

Assessed Value of New Growth by Property Class:
Fiscal Year 2021-2025



Single Family Home

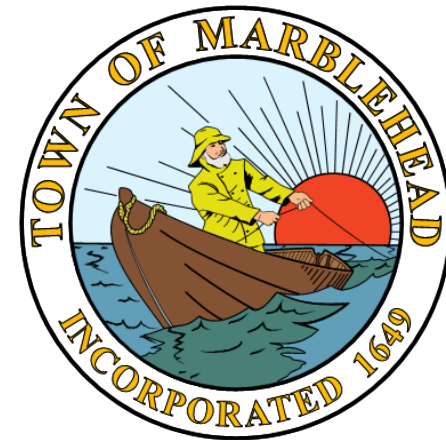
Average Assessed Value, Fiscal Year 2024 and 2025



Minimum Residential Factor (MRF)

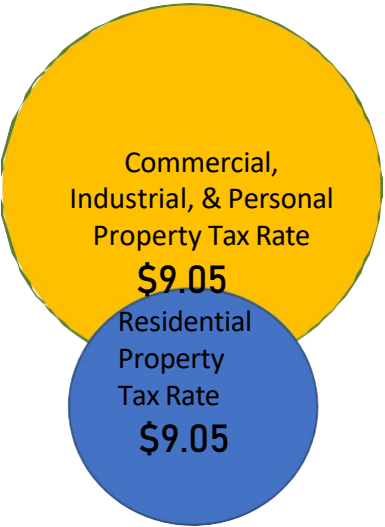
Options Table

OPTIONS		SHARE PERCENTAGES				LEVY AMOUNTS				TAX RATE	
CIP Shift	Res Factor	Res %	Comm %	Ind %	PP %	Residential	Commercial	Industrial	Personal Property	Res	CIP
1.00	1.0000	95.50%	3.27%	0.21%	1.02%	80,587,012.00	2,763,562.00	181,098.00	857,052.00	9.05	9.05
1.05	0.9976	95.27%	3.44%	0.23%	1.07%	80,396,928.00	2,901,740.00	190,153.00	899,904.00	9.03	9.50
1.10	0.9953	95.04%	3.60%	0.24%	1.12%	80,206,844.00	3,039,918.00	199,208.00	942,757.00	9.01	9.96
1.15	0.9929	94.82%	3.77%	0.25%	1.17%	80,016,759.00	3,178,096.00	208,263.00	985,610.00	8.99	10.41
1.20	0.9906	94.59%	3.93%	0.26%	1.22%	79,826,675.00	3,316,274.00	217,318.00	1,028,462.00	8.96	10.86
1.25	0.9882	94.37%	4.09%	0.27%	1.27%	79,636,591.00	3,454,452.00	226,373.00	1,071,315.00	8.94	11.31
1.30	0.9858	94.14%	4.26%	0.28%	1.32%	79,446,507.00	3,592,631.00	235,428.00	1,114,167.00	8.92	11.77
1.35	0.9835	93.92%	4.42%	0.29%	1.37%	79,256,423.00	3,730,809.00	244,483.00	1,157,020.00	8.90	12.22
1.40	0.9811	93.69%	4.58%	0.30%	1.42%	79,066,338.00	3,868,987.00	253,537.00	1,199,873.00	8.88	12.67
1.45	0.9788	93.47%	4.75%	0.31%	1.47%	78,876,254.00	4,007,165.00	262,592.00	1,242,725.00	8.86	13.12
1.50	0.9764	93.24%	4.91%	0.32%	1.52%	78,686,170.00	4,145,343.00	271,647.00	1,285,578.00	8.84	13.58



Fiscal Year 2025 Tax Rate

**FISCAL YEAR 2025
PROPERTY TAX RATE**



Fiscal Year	Residential Tax Rate	CIP Tax Rate
2025*	\$9.05*	\$9.05*
2024	\$8.96	\$8.96
2023	\$10.00	\$10.00
2022	\$10.52	\$10.52
2021	\$10.42	\$10.42

* 2025 Estimated Tax Rates

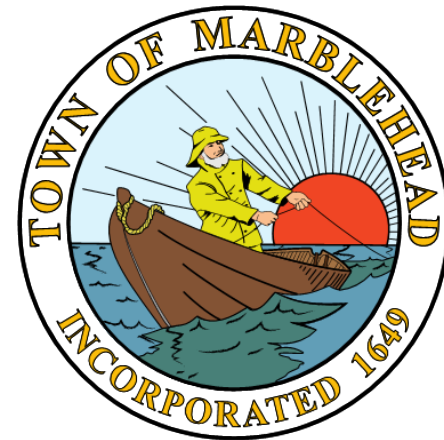
Note: Real estate is taxed based on its market value, but the town cannot raise more money in taxes simply because the town as a whole increases in value due to increased demand or inflation. The annual budget passed at Town Meeting determines the total tax revenue to be raised which cannot be more than 2.5% of the prior year's tax levy.

There is a direct correlation between the tax rate and values. As Values rise tax rates decrease as you see in FY24 compared to FY23.



Average Tax Bill Change FY24-FY25

Fiscal Year	Single Family	Condo	Two Family	Three Family	Apartment	Commercial	Industrial
2024	10,778.27	5,077.27	8,432.68	8,272.72	11,959.59	9,117.21	9,624.78
2025	11,019.64	5,186.93	9,118.09	9,166.76	15,976.41	9,078.85	10,059.33
\$ Difference	241.38	109.66	685.41	894.03	4,017.82	-38.36	434.54
% Change	2.24%	2.16%	8.13%	10.81%	33.60%	-0.42%	4.51%



Thank you.
Any questions?

