

Residential Exemption Committee - March 2, 2018

Mark Andersen

Report - Task List Strawman

[Items which have occurred to Mark in reviewing the Oct 2017 report. As a strawman this is fully open to group edits and additions.]

Possible objectives of policy

- Briefly enumerate all possible objectives which adopting the residential exemption could have.

Glossary

- Prepare glossary of all terms

Benchmarking residential exemption

- Enumerate municipalities which have policy and contact in assessors office at each town and the year in which the threshold was first implemented per municipality.
- Enumerate the thresholds set by each town (0-35%) and when possible trace its history.
- Collect any reports from towns which have had a residential exemption and distribute those to members of this committee (digitally).
- Relate the % threshold set for each town to its dollar value
- Inquire as to any driving considerations which are used in these towns to set the thresholds annually.
- Which municipalities discontinued use of the residential exemption and why?
- Are there ways in which non-residents attempt to game this exemption and what are done to stop those methods?
- Document # of municipalities using each alternative tax mitigation system

Mechanics - mathematical

- Calculation of break-even point
- Looking backward, how would the break-even point have moved over time in relation to average home value, median home value, average single family home value
- Does raising the residential tax rate due to a residential exemption in turn impact the commercial and industrial maximum rates available to the town?

Mechanics - legal

- Review and document rules for multi-family dwellings
- Review and document rules for rental properties
- Review and document rules for apartments
- Review and document rules for various types of trusts

- Review and document rules for unoccupied property
- Identify how non-owner occupied dwellings are treated under municipal tax law even if this policy is not adopted (i.e. personal property taxes for non-owner occupied dwellings)
- Are car excise taxes tied to residency status?
- How would condominiums be impacted?
- How would moderate income housing be impacted?

Leases and Agreements

- How do typical private leases reflect property tax increases?
- How do the apartment leases reflect property tax increases? (Mention of net-net in Oct 2017 report)

Mechanics - Practical

- How would assessor determine residency? What evidence would be required?
 - What are practices other municipalities are following?
- Estimate the implementation cost in man-hours and associated financial cost for the residential exemption. Which departments and committees are impacted and to what extent?

Societal Impacts

- Perception of Lexington's Taxes - will higher rates with a residential exemption impact home prices or other perceptions. (Real Estate agents as source of data?)
- Local understanding of tax rates -- what % of people understand residential exemption explanations, and does fidelity of understanding matter materially?
- Development impact for purchases and developers. Develop the argument from the Oct 2017 report with more supporting detail
- Estimating the impact of residential tax exemption on delaying sale of homes? What is the expected impact and why?
- Estimate the impact on aggregate tax bill if sale of homes were delayed according to the above model?

Lexington Specific Impact if Had Been Implemented for FY2018.

- Estimate of % owner occupied
- Is there historical trend data on % owner occupied?
- Degree of reliability for owner occupied
- Report on frequency of ownership structure for Lexington housing
- Provide matrices showing the impact of various %s of owner occupied housing v. % exemption and the impact. Perhaps separate matrices for different scenarios?
- Large properties - i.e. apartments
 - Provide information on equivalent rate per unit if these \$ were passed through
 - Take into account that some # residents have section 8 vouchers and recalculate as if the entire increase were passed through to those who could absorb it

- Show information on Lexington housing divided into apartment and non-apartment. Both equalized valuation and # of residents in each class. (Presuming we don't have information on income.)
- Document number of residents taking advantage of existing alternative tax mitigation systems in Lexington
- Correlate age of residence and value of property held (for units with data)
- What data do we have on snow-birders declared residence?
- Number of medicaid trusts known to be in place, and proportion of trusts.

Alternative Tax Mitigation Systems

- Enumerate the alternative tax mitigation systems available in Lexington
- Document the extent of use of alternative tax mitigation systems in Lexington

Fairness Arguments

- Enumerate the various arguments which can be made indicating whether a residential exemption would be more or less fair than the current system. (Among these consider the 'burden sharing' argument about apartments v. homes.)
- Compare the various systems for tax mitigation in terms of fairness