

March 15, 2014



Greetings:

At the Annual Town Meeting in April there will be an article to recommend implementation of a split rate real estate tax policy in Southborough. To provide information about why Southborough should consider this change in tax policy, I have created a 15-minute video you can view on Youtube (available at <http://tinyurl.com/n7fntn4>). Although it may not be awarded an Oscar for best short documentary, the video does tell an interesting story as context for the upcoming Annual Town Meeting vote.

The story and script for the video are based on actual data from the Massachusetts Department of Revenue's on-line Data Bank. As with many videos, there is a "trailer" to attract viewers. For this video the trailer highlights are:

1) Of the one-third (1/3) of the Massachusetts communities with the highest proportion of their tax base in commercial and industrial property, two-thirds (2/3) of them have implemented a split tax rate policy. You may be surprised to know Southborough is part of this population with the relatively high proportion of commercial and industrial property, yet Southborough maintains a single tax rate. Split rate tax policies are typically unpopular within the business community. When two-thirds of the Massachusetts communities with the relatively highest proportion of commercial and industrial property adopt such a policy, in spite of opposition by the business community, there must be important reasons. The video examines the reasons behind implementation of split rate real estate tax policies in Massachusetts.

2) Across Massachusetts, the DOR data show that property tax rates trend higher with the increasing proportion of commercial and industrial property. This trend is contrary to the generally accepted concept that increasing the proportion of commercial and industrial property produces lower property tax rates. The highest property tax rates in the state are found in communities with the highest proportion of their tax base in commercial and industrial property. The video presents detailed evidence of the impact of this effect on residential homeowners.

3) Over the past ten years, for communities with average home values above \$200K and a significant proportion of commercial and industrial property, there has been a slower rate of growth in home values. The larger the proportion of commercial and industrial property for these communities, the slower the residential growth rate has been. Slower growth in the residential tax base drives up tax rates and undermines homeowner equity. In the past ten years, Southborough has seen slower growth in property values as compared to its peers, yet Southborough's slower residential growth is typical for a community with Southborough's 20% proportion of commercial and industrial property. The video graphically demonstrates this trend.

4) A split tax rate implementation in Southborough could reduce the average homeowner's tax bill by as much as \$1,000 to \$1,500 each year, depending on how the Selectmen decide to implement this policy. The video highlights current split-rate-tax-policy success stories in Massachusetts as models for Southborough.

To view the video, simply use this link: <http://tinyurl.com/n7fntn4> (or you can go to YouTube and search for "Southborough tax rate").

If you are interested in understanding more about the data behind this issue, please feel free to contact me at: carl.guyer@gmail.com.

Yours truly,

Carl Guyer