

## Residential Exemption Fact Sheet

As part of the Fiscal Year 2019 Tax Rate setting process, the Wellfleet Selectboard will vote on whether to adopt a Residential Exemption. This exemption will reduce the assessed valuation of qualified, domiciled residents of Wellfleet and therefore the property taxes paid. The exemption is revenue neutral; no additional revenue is raised by this action.

To receive this exemption for FY 2019, your domicile must be Wellfleet as of **January 1, 2018**. Domicile is a legally defined term, while you can have multiple residences, you can only have one domicile. Your domicile is normally your principal residence, the residence in which the taxpayer lives; that is, the owner's fixed place of habitation, permanent home or legal residence. If the property is owned jointly, both owners must qualify for the exemption, meaning both must claim Wellfleet as their domicile.

If qualified under the exemption, a property's taxable value, **before** the tax rate is applied, will be lowered by a fixed amount, the residential exemption. Last year, the amount would have been \$105,705. The residential exemption is NOT need based although one might assume that the smaller the value of the residence the greater the need. That assumption will not always hold true.

Here is an example of how the exemption would have worked in FY 2018:

### How is the exemption amount calculated?

Using FY 2018 property assessments and assuming a 20% residential exemption.

\$2,250,981,495	A. Total assessed value for all residential properties, include vacant parcels.
4,259	B. Total number of residential properties
\$528,523	Line A. divided by line B provides the average assessed value of all residential properties.
\$105,705	Multiply the average assessed value of all residential properties by the 20% residential exemption.

A 20% residential exemption for FY 2018 would have amounted to \$105,705

The largest variable is estimating the number of Wellfleet residents that will apply for the residential exemption. The larger the number of residential exemptions granted, the higher the adjustment to the tax rate. It is estimated that 1,202 residences would be eligible for the residential exemption. That number is calculated by reviewing all residential property tax bills that are sent to a Wellfleet zip code and then eliminating property owners with multiple properties. For various reasons not all possible eligible residences will apply for the residential exemption. The lower the number of residential exemptions granted, the lower the adjustment to the tax rate and the greater the benefit to those who are granted the exemption.

**Example 1 – Residential Property with an assessed value of \$300,000.** Residential exemption of 20% is used.

	All Taxpayers No exemption	Wellfleet Resident	Wellfleet Resident	Wellfleet Non-Resident	Wellfleet Non-Resident
Exemptions Claimed		1,202	700	1,202	700
Assessed Value	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Residential Exemption		-\$105,705	-\$105,705	\$0	\$0
Taxed Valuation	\$300,000	\$194,295	\$194,295	\$300,000	\$300,000
Tax Rate	\$7.18	\$7.61	\$7.43	\$7.61	\$7.43
Property Tax	\$2,154	\$1,479	\$1,444	\$2,283	\$2,229
<b>Change in Property Tax</b>	<b>\$0</b>	<b>-\$675</b> <b>-31.3%</b>	<b>-\$710</b> <b>-33.0%</b>	<b>+\$129</b> <b>+6.0%</b>	<b>+\$75</b> <b>+3.5%</b>

**Example 2 – Residential Property with an assessed value of \$500,000.** Residential exemption of 20% is used.

	All Taxpayers No exemption	Wellfleet Resident	Wellfleet Resident	Wellfleet Non-Resident	Wellfleet Non-Resident
Exemptions Claimed		1,202	700	1,202	700
Assessed Value	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Residential Exemption		-\$105,705	-\$105,705	\$0	\$0
Taxed Valuation	\$500,000	\$394,295	\$394,295	\$500,000	\$500,000
Tax Rate	\$7.18	\$7.61	\$7.43	\$7.61	\$7.43
Property Tax	\$3,590	\$3,001	\$2,930	\$3,805	\$3,715
<b>Change in Property Tax</b>	<b>\$0</b>	<b>-\$589</b> <b>-16.4%</b>	<b>-\$660</b> <b>-18.4%</b>	<b>+\$215</b> <b>+6.0%</b>	<b>+\$125</b> <b>+3.5%</b>

**Example 3 – Residential Property with an assessed value of \$750,000.** Residential exemption of 20% is used.

	All Taxpayers No exemption	Wellfleet Resident	Wellfleet Resident	Wellfleet Non-Resident	Wellfleet Non-Resident
Exemptions Claimed		1,202	700	1,202	700
Assessed Value	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Residential Exemption		-\$105,705	-\$105,705	\$0	\$0
Taxed Valuation	\$750,000	\$644,295	\$644,295	\$750,000	\$750,000
Tax Rate	\$7.18	\$7.61	\$7.43	\$7.61	\$7.43
Property Tax	\$5,385	\$4,903	\$4,787	\$5,708	\$5,573
<b>Change in Property Tax</b>	<b>\$0</b>	<b>-\$482</b> <b>-9.0%</b>	<b>-\$598</b> <b>-11.1%</b>	<b>+\$323</b> <b>+6.0%</b>	<b>+\$188</b> <b>+3.5%</b>

**Example 4 – Residential Property with an assessed value of \$1,000,000.** Residential exemption of 20% is used.

	All Taxpayers No exemption	Wellfleet Resident	Wellfleet Resident	Wellfleet Non-Resident	Wellfleet Non-Resident
Exemptions Claimed		1,202	700	1,202	700
Assessed Value	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Residential Exemption		-\$105,705	-\$105,705	\$0	\$0
Taxed Valuation	\$1,000,000	\$894,295	\$894,295	\$1,000,000	\$1,000,000
Tax Rate	\$7.18	\$7.61	\$7.43	\$7.61	\$7.43
Property Tax	\$7,180	\$6,806	\$6,645	\$7,610	\$7,430
<b>Change in Property Tax</b>	<b>\$0</b>	<b>-\$374</b> <b>-5.2%</b>	<b>-\$535</b> <b>-7.5%</b>	<b>+\$430</b> <b>+6.0%</b>	<b>+\$250</b> <b>+3.5%</b>

- The residential exemption is NOT need based although one might assume that the smaller the value of the residence the greater the need. That assumption will not always hold true.
- Massachusetts General Law does not currently allow for a need based residential exemption or any other adjustment to taxes based on need other than the Taxation Aid Fund which is available only to Senior Citizens and those that are disabled.
- The lower the assessed value of the property the greater the benefit to the residential taxpayer. Conversely, the larger the assessed value of the property the lower the benefit to the residential taxpayer.
- If all eligible 1,202 residential properties apply for the residential exemption those residential properties with an assessed value of less than \$1,870,000 will receive a benefit from the exemption. The lower the value of the assessed property the greater the benefit.
- The residential exemption is revenue neutral. No additional revenue is raised from the exemption. When the residential exemption is applied to certain qualified properties the tax rate is then increased so that the same amount of property tax revenue is raised.
- Who will this help?
  - 76 or 6.3% of potential residential properties have a value of \$300,000 or less
  - 489 or 40.7% of potential residential properties have a value between \$300,000 and \$500,000
  - 484 or 40.3% of potential residential properties have a value between \$500,000 and \$750,000
  - 92 or 7.7% of potential residential properties have a value between \$750,000 and \$1,000,000
  - 55 or 4.6% of potential residential properties have a value between \$1,000,000 and \$1,870,000
  
  - 6 or 0.5% of potential residential properties have a value of over \$1,870,000 and would see a tax increase