

Massachusetts Community Preservation Act LOCAL SURCHARGE

from the *COMMUNITY PRESERVATION ACT*

Local Property Tax Surcharge of At Most 3 Percent

Section 3.

(a) Sections 3 to 7, inclusive, shall take effect in any city or town upon the approval by the legislative body and their acceptance by the voters of a ballot question as set forth in this section.

(b) Notwithstanding the provisions of chapter 59 or any other general or special law to the contrary, the legislative body may vote to accept sections 3 to 7, inclusive, by approving a **surcharge on real property of not more than 3 per cent of the real estate tax levy against real property**, as determined annually by the board of assessors. The amount of the surcharge shall not be included in a calculation of total taxes assessed for purposes of section 21C of said chapter 59.

(c) All exemptions and abatements of real property authorized by said chapter 59 or any other law for which a taxpayer qualifies as eligible shall not be affected by this chapter. ...

(e) The legislative body may also vote to accept one or more of the following exemptions:

(1) for property owned and occupied as a domicile by a person who would qualify for low income housing or low or moderate income senior housing in the city or town;

(2) for class three, commercial, and class four, industrial, properties as defined in section 2A of said chapter 59, in cities or towns with classified tax rates; or

(3) for \$100,000 of the value of each taxable parcel of residential real property.

(f) Upon approval by the legislative body, the actions of the body shall be submitted for acceptance to the voters of a city or town at the next regular municipal or state election. ...

NOTE: The concept of the surcharge is often misunderstood. Each Newton property owner contributes to the city's CP fund 1% of his or her annual property taxes, not 1% annually of the property's total value. For example, in 2007 the owner of a Newton home worth \$700,000 paid about \$7,000 in property taxes, and contributed about \$70 to Newton's Community Preservation Fund.

Massachusetts Community Preservation Act STATE MATCHING FUNDS

based on Community Preservation Coalition Press Release, 26 March 2008
summarizing Massachusetts Dept. of Revenue

Fy2008 Budget Issues and Procedures Bulletin (#2008-04b): Community Preservation Fund.

www.communitypreservation.org/SpringElections.cfm

What Percentage of Local Revenues Is Matched By the State Fund?

There are 127 cities and towns that have adopted the Community Preservation Act and are eligible for state matching grants in FY09. As a result of decreasing collections of fees at the Registry of Deeds and the increased number of communities participating in the program, DoR estimates that the balance in the state trust fund will be sufficient to provide a first round match of [only] approximately 65 percent of the surcharge levied by each city and town.

This will trigger a second round or equity distribution for those 71 communities that have adopted the maximum 3 percent surcharge. These communities will receive additional funds from second/third rounds of the trust fund distribution, based on their ranking by the formula contained in the Act, bringing their state match to between roughly 66 and 100 percent. The DoR bulletin included rankings for all communities in the state.

State matching grants for FY2010 are projected to be considerably lower than the FY09 forecasted percentage given the downward trend in Registry fees and the expected balance in the state fund after the FY09 state match and equity distributions are paid in October of 2008.

NOTE: The state match is calculated only after the preceding year's total surcharge revenue is certified, at the close of that fiscal year. As a result of this time lag, CPA communities receive and allocate their state matching funds approximately one year after they allocate the local surcharge revenue on which those matching funds are based.

from the COMMUNITY PRESERVATION ACT

State Matching Funds Are Calculated and Distributed in 3 “Rounds”

1st ROUND (“match” distribution)

Section 10.

(a) The commissioner of revenue shall annually on October 15 disburse monies from the fund ...to cities and towns ...

(b) The commissioner shall multiply the amount in the fund by 80 per cent. This amount distributed in the first round distribution shall be known as the match distribution. The first round total shall be distributed to each city or town ... in an amount not less than 5 per cent but not greater than 100 per cent of the total amount raised by the additional surcharge on real property by each city or town. The percentage shall be the same for each city and town and shall be determined by the commissioner annually in a manner that distributes the maximum amount available to each participating city or town.

Only communities that adopt the maximum surcharge [3%] are eligible to receive state matching funds during the equity [2nd] and surplus [3rd] distribution rounds.

2nd ROUND (“equity” distribution)

(c) The commissioner shall further divide the remaining 20 per cent of the fund in a second round distribution, known as the equity distribution. The commissioner shall determine the equity distribution in several steps. The first step shall be to divide the remaining 20 per cent of the fund by the number of cities and towns that have accepted said sections 3 to 7, inclusive. This dividend shall be known as the base figure for equity distribution.

This base figure shall be determined solely for purposes of performing the calculation for equity distribution and shall not be added to the amount received by a participant.

(d) Each city and town in the commonwealth shall be assigned a community preservation rank for purposes of the equity distribution. The commissioner shall determine each community's rank by first determining the municipality's equalized property valuation per capita ranking, ranking municipalities from highest to lowest valuation. The commissioner shall also determine the population of each municipality and rank each from largest to smallest in population. The commissioner shall add each equalized property valuation rank and population rank, and divide the sum by two. The dividend is the community preservation raw score for that municipality.

(e) The commissioner shall then order each municipality by CP raw score, from the lowest raw score to the highest raw score. This order shall be the CP rank for each municipality. If more than one municipality has the same CP raw score, the municipality with the higher equalized valuation rank shall receive the higher CP rank.

(f) After determining the CP rank for each municipality in the commonwealth, the commissioner shall divide all municipalities into deciles according to their CP ranking, with approximately the same number of municipalities in each decile, and with the municipalities with the highest CP rank shall be placed in the lowest decile category, starting with decile 10. Percentages shall be assigned to each decile as follows:

decile 1	140 per cent of the base figure
decile 2	130 per cent of the base figure
decile 3	120 per cent of the base figure
decile 4	110 per cent of the base figure
decile 5	100 per cent of the base figure
decile 6	90 per cent of the base figure
decile 7	80 per cent of the base figure
decile 8	70 per cent of the base figure
decile 9	60 per cent of the base figure
decile 10	50 per cent of the base figure

After assigning each municipality to a decile according to their CP rank, the commissioner shall multiply the percentage assigned to that decile by the base figure to determine the second round equity distribution for each participant.

(f) Notwithstanding any other provision of this section, the total state contribution for each city or town shall not exceed the amount raised by the municipality's surcharge on its real property levy.

3rd ROUND (“surplus” distribution)

(g) When there are monies remaining in the trust fund after the first and second round distributions, and any necessary administrative expenses have been paid in accordance with section 6, the commissioner may conduct a third round surplus distribution. Any remaining surplus in the fund may be distributed by dividing the amount of the surplus by the number of cities and towns that have accepted this chapter. The resulting dividend shall be the surplus base figure. The commissioner shall then use the decile categories and percentages

as defined in this section to determine a surplus equity distribution for each participant.

(h) The commissioner shall determine each participant's total state grant by adding the amount received in the first round distribution with the amounts received in any later round or rounds of distributions, with the exception of a city or town that has already received a grant equal to 100 per cent of the amount the community raised by its surcharge on its real property levy.

(i) Only those cities and towns that adopt the maximum surcharge allowed by this chapter shall be eligible to receive additional state monies through the equity and surplus distributions.

(2) If less than 10 per cent of the cities and towns in the commonwealth have accepted sections 3 to 7, inclusive, and imposed and collected a surcharge on their real property levy, the commissioner may calculate the state grant with only one round of distributions, or in any other equitable manner.

(j) After distributing the trust fund in accordance with this section, the commissioner may keep any remaining funds in the trust for distribution in the following year,

This handout was prepared for the Newton, Massachusetts Community Preservation Program. It should not be considered an official or legal summary of provisions in the Community Preservation Act (MGL Chapter 44B).

For legal opinions, consult your municipal legal counsel or the Massachusetts Department of Revenue, Division of Local Services:

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