



**TOWN of PETERSHAM  
OFFICE of the SELECTBOARD**

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**A Summary Review of the Current Property Tax Bills (for Fiscal Year 2023)**

*January 2023*

~ Prepared by the Petersham Selectboard

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**Due to the number of inquiries about the recently distributed local Property Tax Bills, the Selectboard recognizes it would be helpful to provide a summary review.**

**Massachusetts residential property taxes are determined by the combination of the following:**

**The city or town's most recent Tax Assessments of Property Value for the particular property and the city or town's Tax Rate.**

**The property's Tax Assessment is determined by calculations specific to the county and town used to determine the value of the property. The Tax Rate is determined by a number of factors including the assessed value of all property and town's annual budget. The current Property Tax Bills are impacted by the combination of two different issues:**

- 1. Increase in overall real estate values due to real estate market conditions**
  - 2. The Town Budget and Tax Rate change from Fiscal Year 2022 to 2023**
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**~ Assessment of Property Values and New Growth ~**

**T**he Mass. Depart. of Revenue oversees the assessment process requiring towns to use the Mass Appraisal Technique, a method which is used nationwide. This technique employs standardized procedures for collecting and analyzing data to ensure that all properties within a town are valued uniformly and equitably. The Mass Appraisal Technique uses a statistical approach to bring all properties to their full and fair market value whether or not they have sold recently.

The first step is to create an annual sales database. For Fiscal Year 2023, the date of valuation was January 1, 2022, so the annual sales database included only those qualified, arms-length sales occurring between January 1, 2021 and December 31, 2021. This database of sold properties was analyzed to decide how to apply the characteristics of the sold properties to the large number of properties that were not sold.

Analysis of sales during 2021 showed that Petersham home owners who were **selling** their properties benefitted from the higher sale prices. Residents may have personal experiences of family members and friends who benefitted from high prices in this “seller’s market.” It appears that factors including the effects of the pandemic and historically low mortgage rates caused an increase of prospective buyers across the country driving up competition and causing high demand in rural areas such as Petersham. And the opposite is true and equally well known – many home **buyers** across the country were surprised and frustrated by high prices creating a difficult hurdle when house hunting.

While local property assessments have increased in the past and over time, many residents are accustomed to Petersham being in a bit of a protected bubble given our somewhat remote location; this round of assessments is the first large impact on our local values in some time. Based on their own assessment timetables, some neighboring towns had already begun to feel the recent impact of market demand, higher sale prices, and higher assessments sooner than Petersham, one and two years ago.

An additional factor to the Assessors' real estate market analysis is that they review and report annual "New Growth" – that is, they account for new home construction, substantial renovations, and new utility infrastructure for the specific calendar year. This process occurs via communications with the town's Building Department who issues and approves building permits. The annual New Growth figure is factored into creating the town's budget. While there is always some new growth, many towns saw a significant increase as property owners renovated properties during the pandemic and increased the value of their property, along with an increase in new housing construction due to demand and low interest rates. Petersham and neighboring towns experienced both of these real estate effects.

As a reminder, Mass. Proposition 2½ places limits on the amount of property tax revenue a town can raise through real & personal property taxes (called the "Tax Levy"). Prop. 2½ limits how much the Tax Levy can be increased from year-to-year. The maximum amount a town can levy in any given year is called the "Levy Limit." Under Prop. 2½, a town's Levy Limit increases automatically by two factors: 1.) an incremental increase of up to 2½ % of the prior year's Levy Limit; and 2.) a dollar amount derived from the value of New Growth in the local tax base since the previous year; as described above.

The 2½% Levy increase and the New Growth figures are both added to the prior year's Levy Limit to reach the current year's Levy Limit. In Petersham, this formula is always reflected in the Advisory Finance Committee's annual Town Meeting budget presentation. It is important to understand that the 2½% increase limitation applies only to the Levy Limit, and not to our property tax bills. It is a common misconception that Prop. 2½ restricts the amount your property tax bill can increase to 2½%. Increases in New Growth will also impact your property tax bill.

It is important to keep in mind, local Board of Assessors do not create value. Rather, using required and uniform methods, the Assessors have the responsibility to discover and reflect the changes that are occurring in the marketplace.

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### ~ Annual Town Budget, the Recap Process, and the Tax Rate ~

Our local Property Tax Bills are calculated by applying the Tax Rate (see chart on page 4) to the value of our property (as described above).

Prior to developing and setting the Tax Rate, the town must go through the annual budgeting process and the budget must be approved by voters at Annual Town Meeting.

In Petersham, the financial needs of the town are presented and analyzed in public meetings during the Winter–Spring budget season undertaken before June Town Meeting and each new

fiscal year through a detailed process conducted by the Selectboard and Advisory Finance Committee working closely with town Staff, the Schools, and town Committees.

Then at Town Meeting, Petersham voters review a detailed, line-by-line budget and Warrant Articles presenting total operating, capital expenses, and debt budgets for the coming year. As approved and appropriated at Town Meeting, those results are then certified by the Town Clerk then provided to the Town Accountant. The Board of Assessors and Town Accountant then use specific Mass. Dept. of Revenue (DOR) formulas and forms to calculate what the Tax Rate must be in order to raise sufficient revenue for the approved new fiscal year budget.

A town must submit this financial work in what is called a Tax Rate Recapitulation Sheet, also known as “the Recap Sheet”, to the Mass. DOR. The recap sheet presents the town's financial detail using specific forms & schedules and includes the town's entire budget plan for the new fiscal year; it includes all voter approved expenditures from the annual Town Meeting. The Mass. DOR must review the recap sheet for accuracy, then based on all the data, the DOR certifies the final local Tax Rate; doing so for each town in the Commonwealth.

Petersham's Town Meeting to set the new annual budget occurs in the first week of June, the new Fiscal Year begins on July 1 in every town, then this recap work occurs in the late Summer–Fall, with the DOR certification typically by late Fall; tax bills then go out from the Tax Collector by Dec. 31.

As some residents are aware, but not all and likely not those who are new to town in the past year or so – at Annual Town Meeting of June 2021 an accidental error created a shortfall in the amount appropriated for the Center School operating budget. The shortfall – which accidentally occurred when voters were not requested to appropriate the annual State funds specifically allocated for the Center School (called “Mass. Chapter 70 funding” and allotted to all public schools) – caused a lower total budget appropriation for Fiscal Year 2022 by \$437,533 less than the School budget needed and was thought to be approved by the voters. That lower appropriation was then used in the the recap process with the DOR as described above to create the town's Tax Rate; the new rate decreased by \$1.77; going from \$15.31 to \$13.54 and the tax bills were calculated and decreased using that rate (see chart on page 4). As the year went on, the School was spending and still needed their requested budget. When the error was identified in early Spring 2022, plans were made by the Selectboard and Finance Committee to recommend using available funds to fix it at June 2022 Special Town Meeting. The error was explained to voters who approved using available funds to address the deficit.

This situation created a kind of accidental tax holiday for residents when the new Tax Rate was set at \$1.77 less than the prior year because the deficit had created what seemed to be a smaller town budget and therefore less raising & appropriation of taxes to fulfill that budget and then when the deficit itself was solved using available funds rather than taxation.

If residents compare their last year tax bill to their current tax bill they will see that decrease in the Tax Rate and in their billed amount. By our Tax Rate accidentally going down last year it created an appearance of our taxes going up even more in the current tax bill when the adjustment was made and the rate returned to the \$15.+ range and when combined with the property assessment changes discussed above.

At June 2022 Town Meeting, the approved operating budget for town & education returned the Tax Rate to the prior \$15 range. Today's new rate of \$15.79 is an increase of .48 cents from two years ago and is due to planned and approved town budget increases for wages, fuel, outside services, etc. along with a higher education budget and some allowance for the fuel & energy cost increases which were underway across the country at the time of budget planning; all as discussed and approved at June 2022 Town Meeting. Overall, the rate reflects a budget kept well in check during times of rising costs across the board. And as the chart below shows, in past years the Tax Rate has at times decreased by design due to the hard work of the budget process.

Please note that the town continues with conservative budgeting as is Petersham's tradition – even with the impact of fuel & energy and insurance costs, increased costs of goods & services, standard wage increases, inflation, etc., we are able to do so thanks to the hard work of town Staff and Committees combined with the interests and support of residents.

**PETERSHAM TAX RATE CHART for 2010 – 2022**

**> Today's current Fiscal Year 2023 Tax Rate: \$ 15.79**

<b>Prior Fiscal Year 2022 Tax Rate:</b>	<b>\$ 13.54</b> <i>(decrease from prior year due to Town Meeting error)</i>
<b>Prior Fiscal Year 2021 Tax Rate:</b>	<b>\$ 15.31</b>
<b>Prior Fiscal Year 2020 Tax Rate:</b>	<b>\$ 17.37</b>
<b>Prior Fiscal Year 2019 Tax Rate:</b>	<b>\$ 16.93</b>
<b>Prior Fiscal Year 2018 Tax Rate:</b>	<b>\$ 16.37</b>
<b>Prior Fiscal Year 2017 Tax Rate:</b>	<b>\$ 16.19</b>
<b>Prior Fiscal Year 2016 Tax Rate:</b>	<b>\$ 16.42</b>
<b>Prior Fiscal Year 2015 Tax Rate:</b>	<b>\$ 16.99</b>
<b>Prior Fiscal Year 2014 Tax Rate:</b>	<b>\$ 15.93</b>
<b>Prior Fiscal Year 2013 Tax Rate:</b>	<b>\$ 16.18</b>
<b>Prior Fiscal Year 2012 Tax Rate:</b>	<b>\$ 15.51</b>
<b>Prior Fiscal Year 2011 Tax Rate:</b>	<b>\$ 14.17</b>
<b>Prior Fiscal Year 2010 Tax Rate:</b>	<b>\$ 13.30</b>