9 months ago, the Committee was formed to address community concern about the impact of the school bond on financially vulnerable residents.

Our charge asks us to investigate tax tools, explain them to the community, gather feedback, and then make a recommendation to the Selectmen.
The preamble to our charge asks us to consider the impacts of these programs within the framework of the town’s vision and values.

And so this presentation begins with our town vision statement, which serves as a touchstone whenever we consider changes to public policy.

As we have done our work, the questions raised in our group have not been easy, and we are pleased this evening to invite the town into our circular conversation.

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**Town of Lincoln Vision Statement**

Lincoln is a town that cherishes its rural, agricultural character, its small town heritage, its open space, and its historical legacy. The town is committed to:

- Achieving a balance between preserving these values while making reasonable provision for citizens’ safety and convenience;
- Fostering economic, racial/ethnic, and age diversity among its citizenry through its educational, housing, and other public policy;
- Excellence in its public educational system;
- The Town Meeting form of government and the traditions of civic leadership and volunteer public service.
There are two big questions: “Who are we trying to help? and “What are we trying to achieve?

When we consider the town’s vision statement, How do our choices about tax policy fit into community goals? Should we focus on Lincoln’s most vulnerable citizens, or are we trying to use tax policy more broadly to support economic diversity?

Like any important town decision, the conversation is complex and there are tradeoffs.
FY20 Tax Bills
This is the analysis provided by the Finance Committee in February.

Last December, when the town voted to authorize borrowing up to $88.5M for the school project, FinCom estimated it would add an average of 17%-19% to the median tax bill. When we went out to bond for the bulk of the project, $80M, we were fortunate to secure an interest rate of 3.38%.

Based on that interest rate and the FY20 budget, FinCom
estimated a 12.7% increase in property taxes for FY20.

Adding in the final “clean-up” bond that will be put out to bid sometime in 2021, FinCom predicted the project would add up to an average of 14½% to the median tax bill, which is 3-5% better than the numbers we saw when we voted last December.
As presented at Town meeting, these are the components of the FY20 tax bill.

The increase due to the operating budget and the school bond were offset somewhat by the retirement of debt.
The tax rate went from $14.03 to $15.36. Of that new rate, $1.95 goes toward paying the debt service for the school.

For residential properties, the average tax increase was 12.3%, slightly lower than the projected increase of 12.7%.

The percentage increase is different for each homeowner, and it depends on a number of factors.

Please call the Assessors if you have individual questions about your assessment.
The first phase of our work was to gather some broad demographic data and to understand the programs that are already in place.
Here is a snapshot of Lincoln’s population.

- These numbers are for the 01773 zip code, and thus do not include residents of Hanscom Airforce Base.
- Lincoln has skewed older over the past 20 years. In 2000, 17% of the population was over 65, in 2010, 21% was over 65, and currently 29% over 65.
- Partly, this change reflects national demographics for suburbs; but the increase in the over 65 population since 2010 is also explained by the fact The Groves (now The Commons) opening in 2010.
Next, we gathered data about household income.

This is from the US Census’s American Communities Survey, and because it is a survey and not the official census, it has a margin of error of about 6%.

There are roughly 2000 households in Lincoln.
• About 34% have an income below $100K
• About 27% are between $100K and $200K
• About 38% are over $200K

Within the 200K+ range (according to 2015 data) there
are about 140 households with an income above $1M.
This chart shows the tax programs we already have in place.

This has been shown before, but the green rows were added to show the cost to the town of each program, the number of residents who use the program, and whether or not we have any additional local discretion.

The Senior work-off program is the most popular town-funded program, and it this year it will cost the town $72K.
The other program with significant enrollment is the MA Circuit Breaker program, which is state funded. In a bit we will look at locally-funded Circuit Breaker extension programs.

In addition to this list, there are 7 programs for Veterans that are utilized by about 13 residents at a cost to the town of $7200.
To get a more complete picture of the town we also gathered information about other types of aid given to community members.

Lincoln’s formal social safety net is not large, but there are town departments, faith organizations and non-profits that work together. In all, about 20 groups form a safety net. They meet every other month to collaborate and coordinate services.

From these groups, we know that the needs of all our vulnerable populations are increasing, which is
something the town will have to think about and address as we go forward.
There are two additional programs we can consider. An Extended Circuit Breaker Program and the Residential Exemption.
As previously mentioned, there is a state Circuit Breaker program. Three of our peer towns, Sudbury, Concord and Wayland, have implemented different versions of a locally-funded Circuit Breaker program that provides additional benefits to qualified households.

The programs identify homeowners who are over 65, have lived in town at least 10 years, and who meet income and asset thresholds.

The goal is ensure these residents pay no more than 10% of their income on property taxes.
The Circuit Breaker extensions are funded by an increase of up to 1% on the tax rate.

The resulting programs help a small number of residents with demonstrated financial need.
This is a comparison of the state program with the three local variations and a proposed statewide extension bill.

All three of our peer towns use the state’s income limit. Concord and Sudbury have adopted programs that allow higher property assessments than the state limit.

All three towns implemented the programs through special legislation, which takes a couple of years.

There is a statewide bill that is partially based on the Sudbury model that is currently sitting in the Senate.
If it becomes law, we would simply need a Town Meeting vote, not special legislation, to implement a Circuit Breaker extension. However, it would probably prevent us from customizing the program in any way.

The last row shows how many residents in each town are receiving benefits from the State program.

To sum up the Extended Circuit Breaker program: Long-term residents over 65, who meet income and asset thresholds, are eligible to receive a tax credit aimed at reducing their tax bill to no more than 10% of their income.

Revenue for the program is raised by adding a maximum of 1% to the tax rate.
The other program we have researched is the Residential Exemption.

The Residential Exemption provides a benefit to owner-occupied properties. It is also seen as a way of helping to preserve moderately-priced housing and of making property taxes even more progressive than they already are.

It makes a portion of the value of all owner-occupied residences exempt from taxation.
Because the dollar amount of the exemption is same for all properties, the impact is larger on moderately-valued homes.

The effect is to shift the tax burden upward on to more expensive properties.

The Residential Exemption is a tool that is available to every city and town in the state, and has been adopted by only 14 communities.

There are 2 types of towns that use it: 1) Urban areas such as Brookline where they want to reward owner-occupied properties, are willing to make landlords and renters pay a bit more, and have a large commercial base; and 2) Towns like Provincetown where there is a high percentage of vacation homes. The exemption gives a tax break to year-round residents.

Other towns that are more like us, such as Lexington, have studied it and ultimately decided not to adopt it.

This is a program that is available to every city and town. Each year, when the tax rate is set, one of the questions the Selectmen must answer is whether or not to enact a residential exemption. In early September the Selectmen, voted, as usual, not to adopt the exemption. They would not adopt it unless
the Town very clearly indicates support.
This is an example of how the exemption works (numbers are rounded for simplicity).

If we chose a 5% exemption, based on an average tax bill of just under $1M, that would translate into a $50K exemption.

All owner-occupied residences would have $50K subtracted from their assessed value.

To make the program revenue-neutral, the tax rate has to increase.
The effect is to shift the property tax burden along a sliding scale so that lower-valued properties pay an even lower amount in taxes, and higher-valued properties pay an even higher amount.
This chart shows what the exemption would look for different home owners.

The committee chose 5% as an example because the average tax decrease for lower-assessed properties mostly offsets the tax increase due to school project.
This chart compares the tax impact of the Circuit Breaker, which would need to raise up to 1% in additional revenue, and the Residential Exemption which is revenue-neutral, but shifts the tax burden.

<table>
<thead>
<tr>
<th>Assessed Value</th>
<th>Additional Cost of a Maximum 1% levy for an Extended Circuit Breaker Program</th>
<th>Additional Cost of a 5% Residential Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000</td>
<td>New tax rate $15.51/$1000&lt;br&gt;$7,755 tax bill&lt;br&gt;$75 HIGHER than FY20</td>
<td>Reduces assessment to $450,000&lt;br&gt;New tax rate $16.07/$1000&lt;br&gt;$7,292 tax bill&lt;br&gt;($449) LOWER than FY20</td>
</tr>
<tr>
<td>$1,140,000</td>
<td>(break-even point for Residential Exemption) New tax rate $15.51/$1000&lt;br&gt;$17,571 tax bill&lt;br&gt;$171 HIGHER than FY20</td>
<td>Reduces assessment to $1,090,000&lt;br&gt;New tax rate $16.07/$1000&lt;br&gt;$17,516 tax bill&lt;br&gt;NO CHANGE vs FY20</td>
</tr>
<tr>
<td>2,000,000</td>
<td>New tax rate $15.51/$1000&lt;br&gt;$31,020 tax bill&lt;br&gt;$300 HIGHER than FY20</td>
<td>Reduces assessment to $1,950,000&lt;br&gt;New tax rate $16.07/$1000&lt;br&gt;$31,337 tax bill&lt;br&gt;$617 HIGHER than FY20</td>
</tr>
</tbody>
</table>
Which brings us back to our big questions: Who are we trying to help? and What are we trying to achieve?

- Do we want to adopt a Circuit Breaker program that asks everyone to pitch in to provide targeted help for a few residents?
- Do we want to implement the Residential Exemption which helps all owners of lower-assessed homes by shifting taxes onto properties with higher assessments?
- Do we want to do both? Or neither?

The property tax committee has spent a lot of time debating the pros and cons, and now wants to hear from the community.

<table>
<thead>
<tr>
<th>Target Population</th>
<th>Circuit Breaker Extension</th>
<th>Residential Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower-income homeowners in lower-value homes who are over 65 and have lived in town 10+ years</td>
<td>Targeted program to ensure property taxes + water bill are no more than 10% of income.</td>
<td>Broad-based policy that encourages owner-occupation of properties and makes property taxes even more progressive</td>
</tr>
<tr>
<td>Criteria</td>
<td>Over 65; 10+ years in town; must meet income, home value, and other asset limits</td>
<td>Applies to all owner-occupied residential properties</td>
</tr>
<tr>
<td>Benefit</td>
<td>Provides $ as needed beyond state program to ensure taxes + water bill are only 10% of income</td>
<td>Varies – the lower the property value, higher the benefit</td>
</tr>
<tr>
<td>Funding Source</td>
<td>Raise total tax levy by up to 1% to provide funds; this additional cost borne by all other homeowners; administrative costs are neutral</td>
<td>No additional revenue; tax levy is shifted to higher-value properties; administrative costs are neutral</td>
</tr>
<tr>
<td>Pros</td>
<td>Targets those w/demonstrated economic need; significant benefit for most vulnerable; used in peer towns</td>
<td>No additional revenue needed; helps all ages; more benefit the lower the property value</td>
</tr>
<tr>
<td>Cons</td>
<td>Needs additional revenue; only for homeowners; only those over 65; doesn’t help renters</td>
<td>No asset criteria – uses property value as a proxy for need; could negatively impact renters; could harm those with low income &amp; higher home value</td>
</tr>
</tbody>
</table>
Thank you!
## Annual Residential Tax Bill Increase for School Building Project

**Using FY2019 Valuations and Including Stabilization and Free Cash**

<table>
<thead>
<tr>
<th>Borrowing Amount</th>
<th>Interest Rate</th>
<th>Property Value ($100,000)</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4%</td>
<td>$1,210 $1,361</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>$1,381 $2,041</td>
<td></td>
</tr>
<tr>
<td><strong>Total Estimated FY20 Tax Bill Increase</strong></td>
<td></td>
<td>$892 $1,338 $1,781 $2,230 $2,676 $3,568</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

| Scenarios presented at Dec 1, 2018 Special Town Meeting | 3.38% | $1,015 $1,522 $2,026 $2,537 $3,044 $4,058 | 14.5% |
| School Bond Issuance on Feb 20, 2019 | 3.38% | $1,015 $1,522 $2,026 $2,537 $3,044 $4,058 | 14.5% |

| FY20 Proposed Budget excl Bonding | $123 $189 $245 $307 $368 $491 | -1.7% |

| 2nd School Bond Issuance, maximum amount, target 2021 | 4% | $116 $174 $232 $290 $349 $405 | 1.7% |
| Ultimate Total Tax Bill Increase | 5% | $116 $174 $232 $290 $349 $405 | 1.9% |

Median Taxpayer: 2019 Tax Bill of $14,006
Again, we added rows to this chart to show cost, utilization, and whether or not there is local discretion.

<table>
<thead>
<tr>
<th>Classes</th>
<th>Type</th>
<th>Amount</th>
<th>Veteran</th>
<th>Spouse</th>
<th>Surviving Spouse</th>
<th>Surviving Parent</th>
<th>Cost to Town</th>
<th># Residents</th>
<th>Local Discretion</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Veterans with minimum 50% war service disability; Purple Heart recipients; Gold Star Parents; Surviving Spouses</td>
<td>$8,24</td>
<td>X</td>
<td>X</td>
<td>Until remarriage</td>
<td>x</td>
<td>About $4,100</td>
<td>30</td>
<td>Yes—Town doubled amount</td>
</tr>
<tr>
<td>22A</td>
<td>Veteran who lost one hand, foot or eye; or received a Congressional Medal of Honor, Distinguished Service Cross, Navy Cross, or Air Force Cross</td>
<td>$1,500</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>$0 currently</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>22B</td>
<td>Veterans who lost two hands or feet, or both eyes</td>
<td>$2,500</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>$0 currently</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>22C</td>
<td>Veteran with 100% disability and specially adapted housing</td>
<td>$3,000</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>$0 currently</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>22D</td>
<td>Surviving spouses of veterans killed in a combat zone</td>
<td>Total for 5 years, then $2,500</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>$0 currently</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>22E</td>
<td>Veterans with 100% disability</td>
<td>$2,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>About 3,100</td>
<td>3</td>
<td>Yes—Town doubled amount</td>
</tr>
<tr>
<td>8A</td>
<td>Paraplegic veterans</td>
<td>Total</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>$0 currently</td>
<td>0</td>
<td>No</td>
</tr>
</tbody>
</table>

*These programs are only for homeowners*