



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**Supporting a Commonwealth of Communities**

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## Massachusetts Municipal Association (MMA) Annual Meeting

*January 20, 2023*



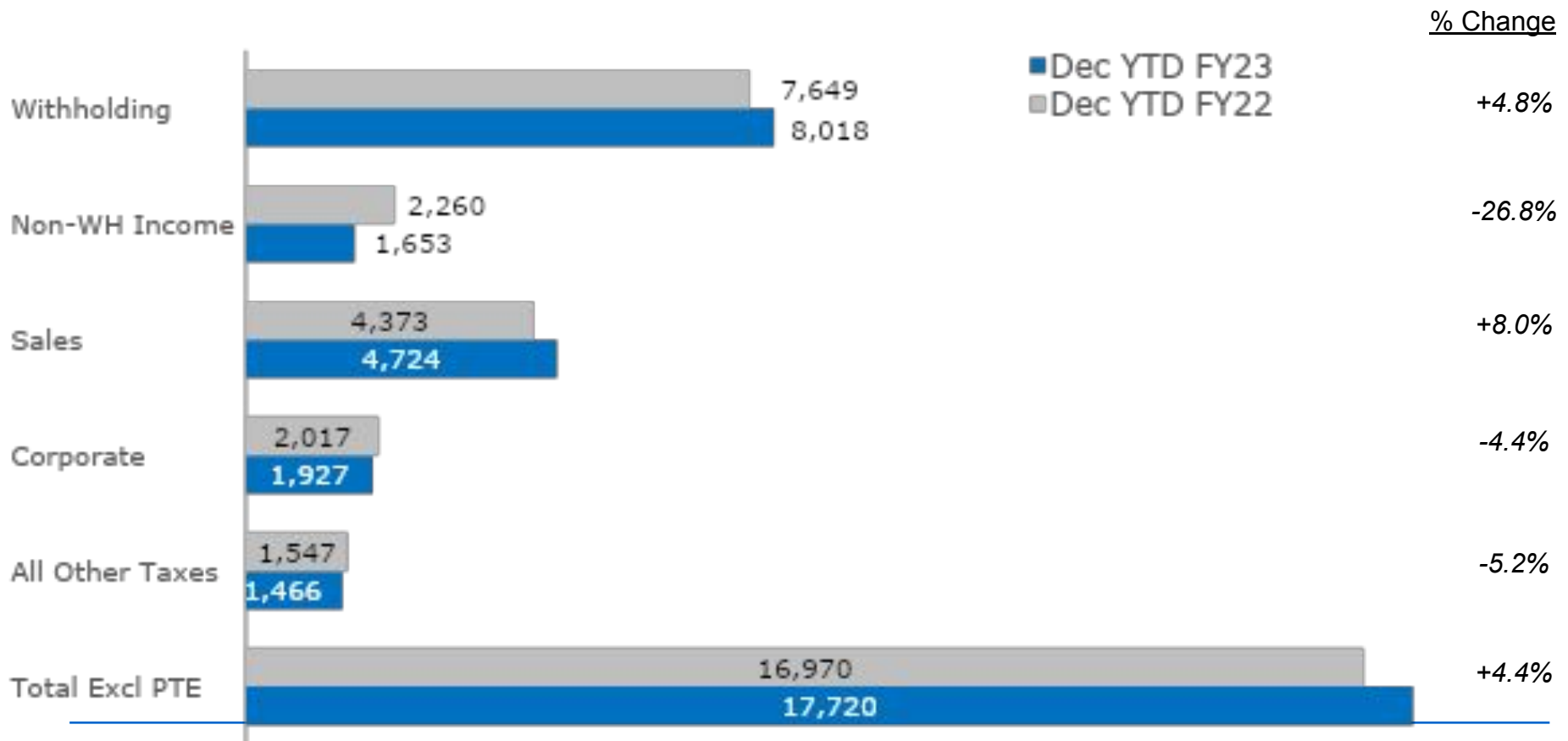
# Commissioner Geoffrey Snyder



## FY23 December Year to Date Revenue of \$17.789 Billion is \$56M or 0.3% Lower than the Prior Year

After adjusting for PTE excise, FY2023 year-to-date collections are \$750 million or 4.4% more than collections in the same period of FY2022.

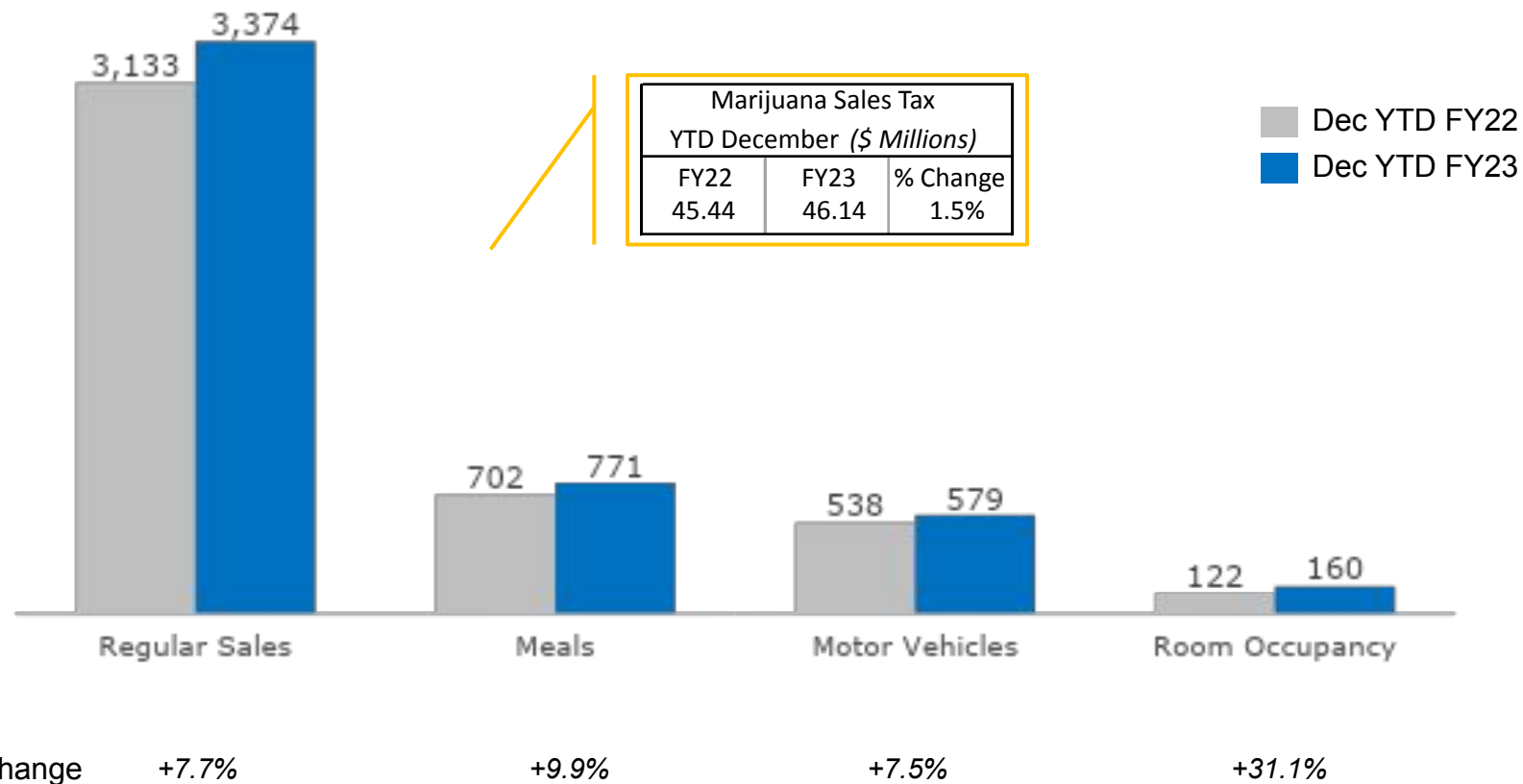
### FY23 December Year-To-Date Revenue Collections by Tax Type (\$Millions)





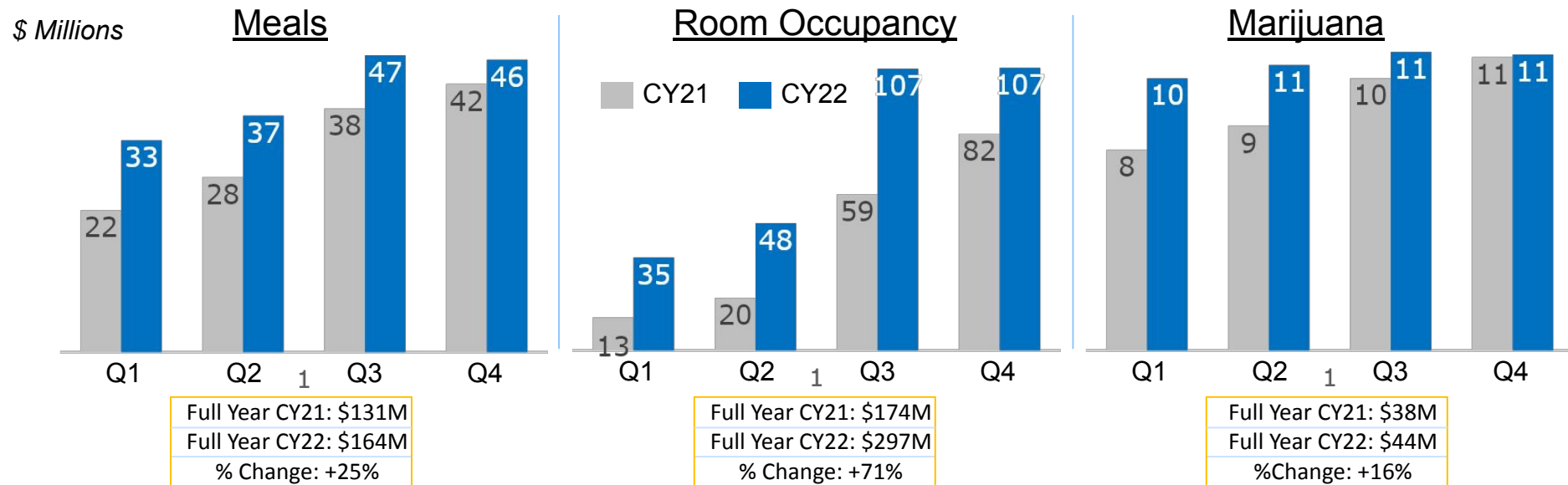
## A Closer Look at Select State Tax Types

FY23 December YTD Regular Sales, Meals, Motor Vehicles, and Room Occupancy Tax  
*State Tax Revenue \$ Millions*

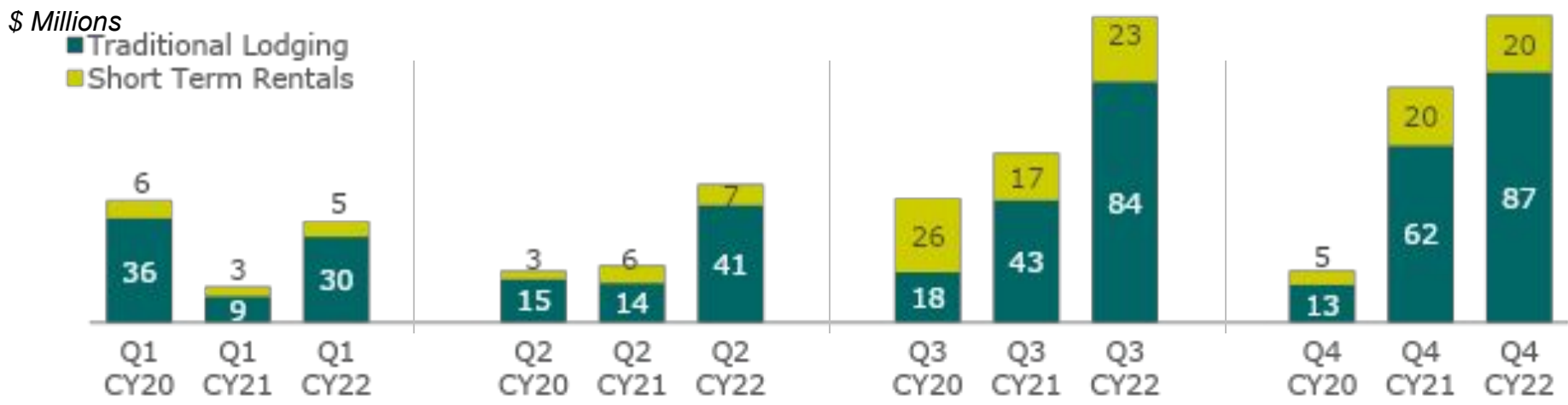




# Local Option Distributions Mirror State Tax Collections



## Components of Room Local Option Distributions

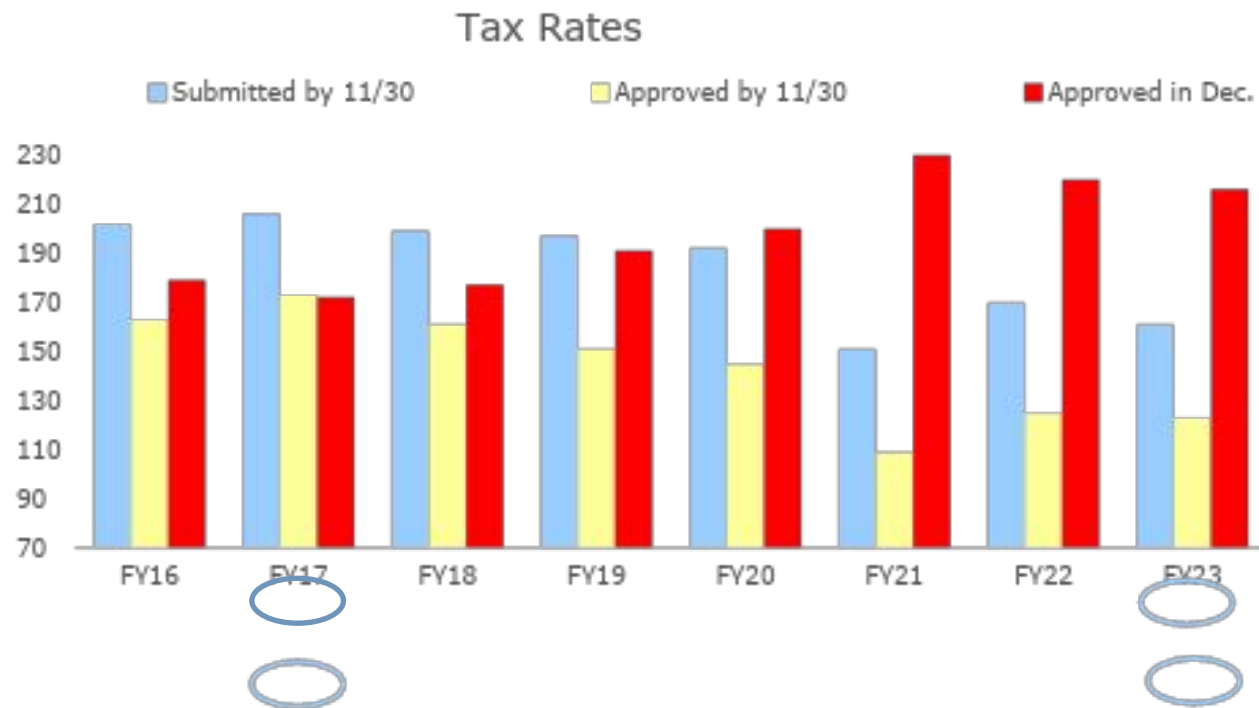




## Senior Deputy Commissioner Sean Cronin

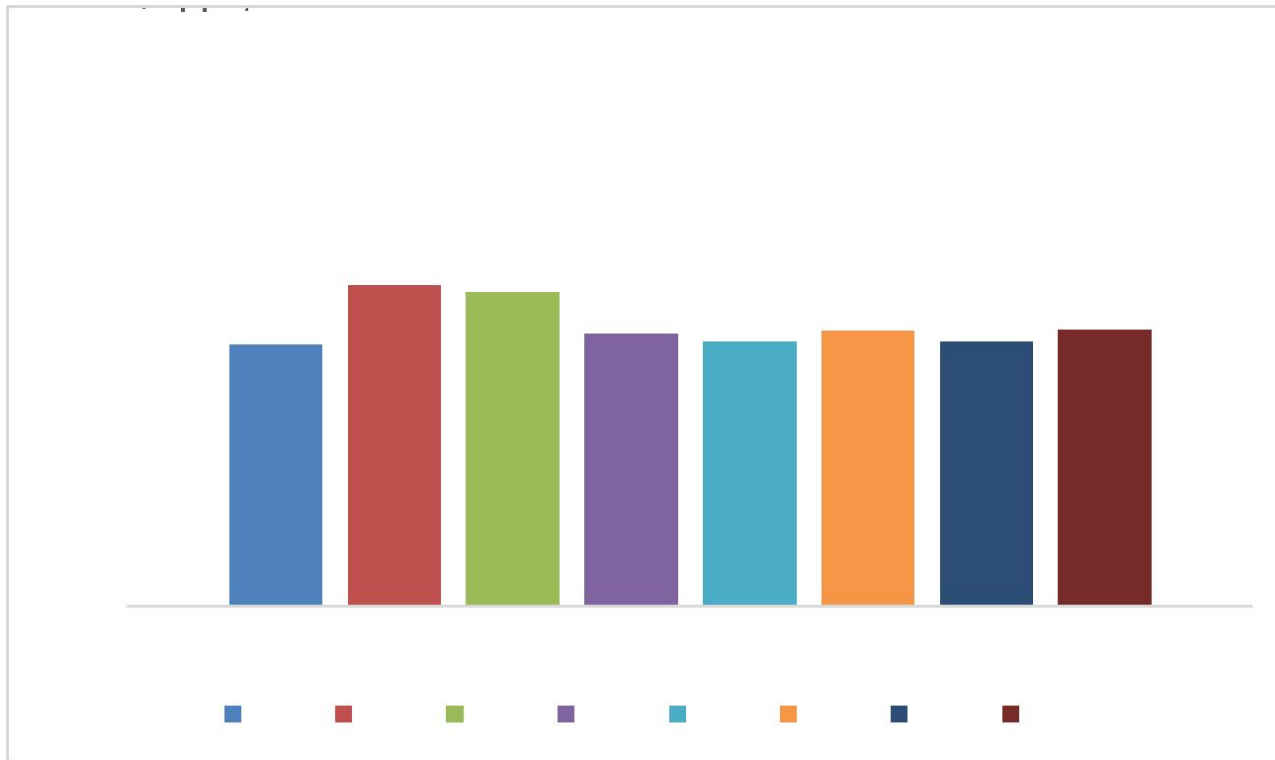
# How are We Doing? Tax Rates

- By the end of November, we received 161 recaps, which continues a post-COVID trend
  - This decrease presents downstream effects
- Every Recap submitted by Dec 31 was approved (339 in / 339 approved)



# How are We Doing? Tax Rates

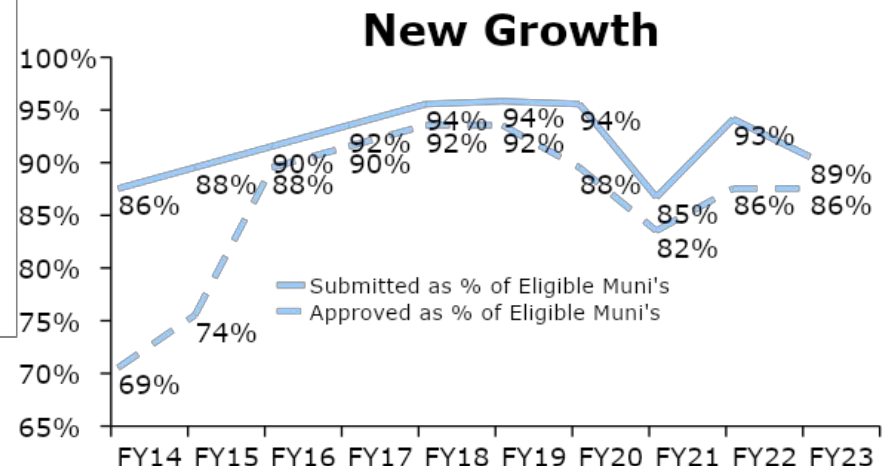
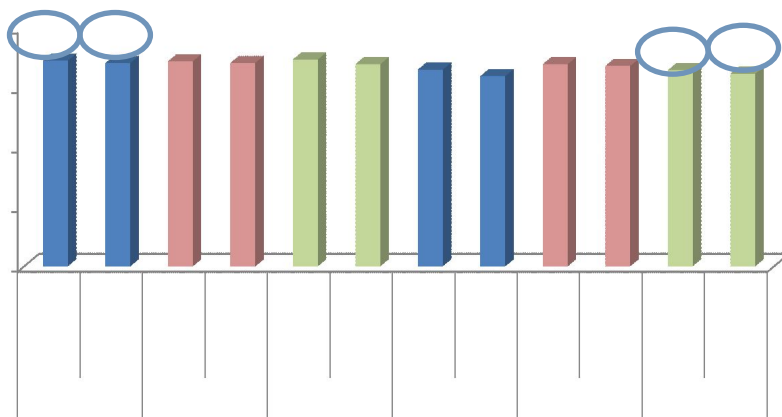
- Turnaround times:
  - % of tax rates approved within 5 working days remained relatively consistent at 83%
  - The median approval time remained consistent at 3 days





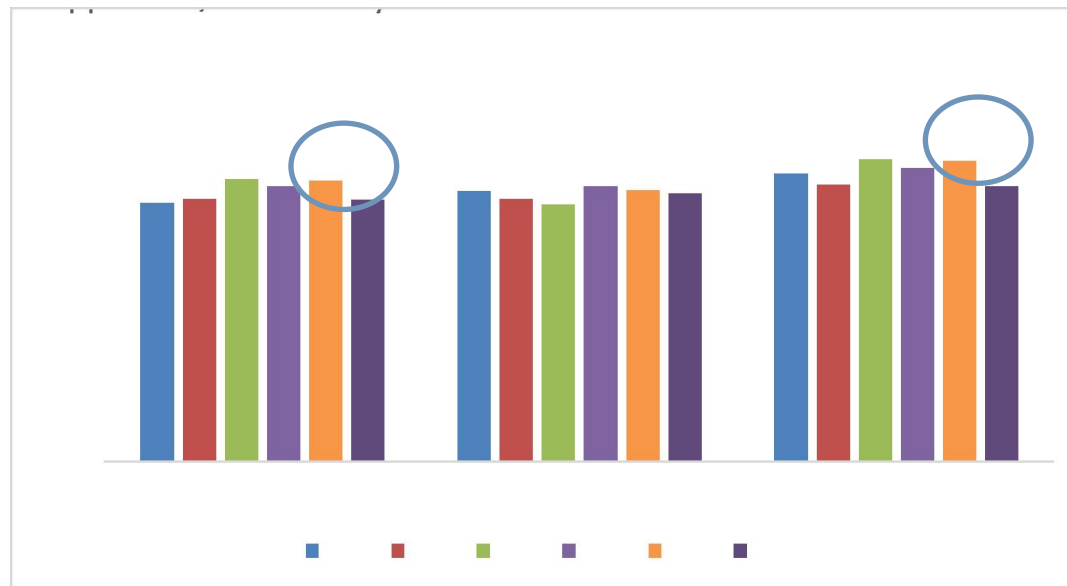
# How are We Doing? BLA Forms

- Decrease in the number of LA-3 Sales submitted and approved by the end of November
- Decrease in the number of LA-13 New Growth submissions, but the % that had New Growth approved by the end of November stayed at 86%
- Both of these put pressure on the “back-end” of the tax rate setting process



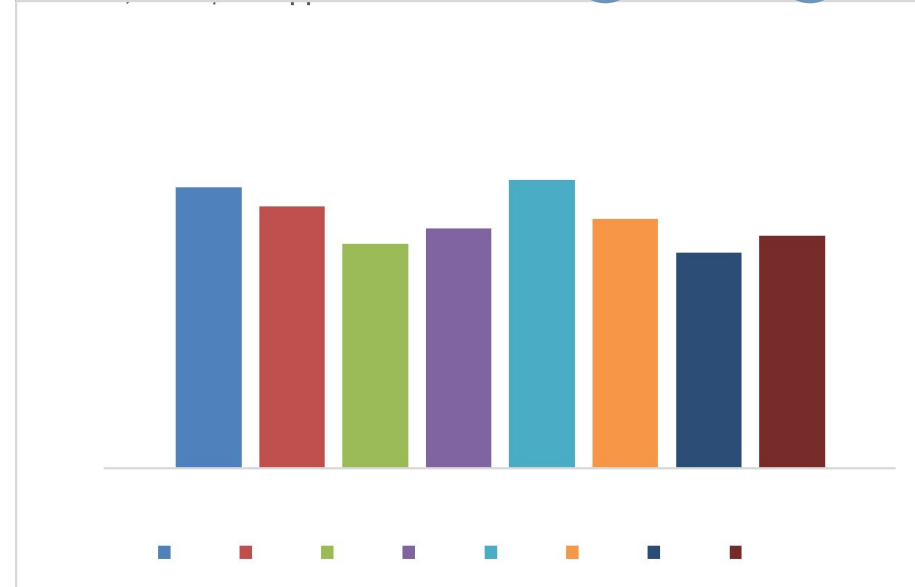
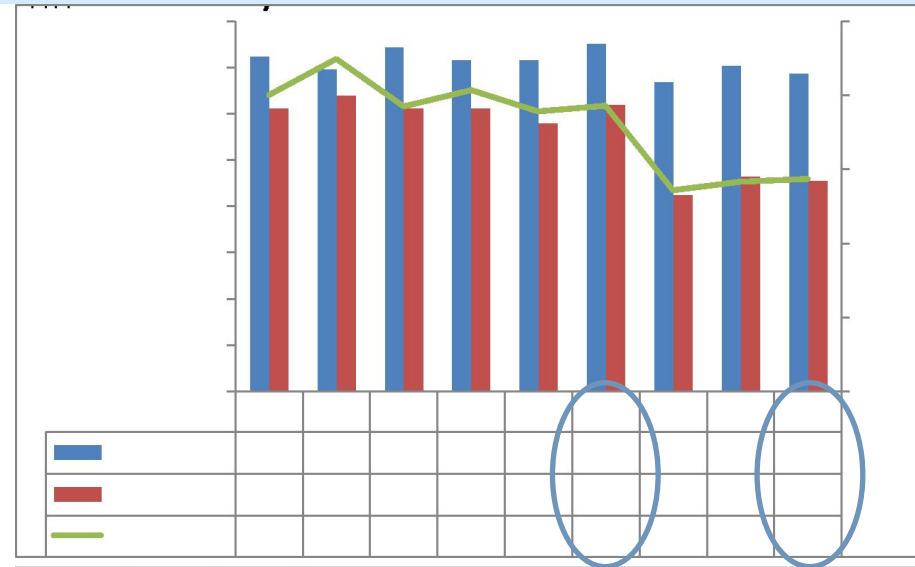
# How are We Doing? BLA Forms

- Turnaround times
  - For Sales, the number approved within 5 working days dropped to 75% and the median turnaround time remained constant at approx. 3 days
  - The number of New Growth submissions approved within 5 working days dropped slightly to 77% and the median turnaround time remained constant 3 days
  - For Interim Year Adjustments, the number approved within 5 working days decreased to 79% and the median turnaround time remained constant 2 days



# How are We Doing? Free Cash

- Slight increase in the percentage of submitted Balance Sheets approved
    - Below pre-pandemic level, but that's due primarily to the need to shift focus to higher levels of tax recaps submitted in December
  - Submissions well below pre-pandemic levels
- 
- Number of Free Cash certifications completed within 10 days increased to 62%
    - Due to a combination of (1) the need to shift focus to higher levels of tax recaps submitted in December and (2) us prioritizing those needed for appropriation
  - Median decreased from 9 days to 8 days





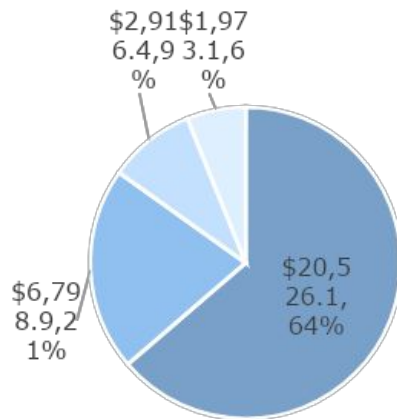
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# Chief, Bureau of Accounts Debbie Wagner

# Property Taxes

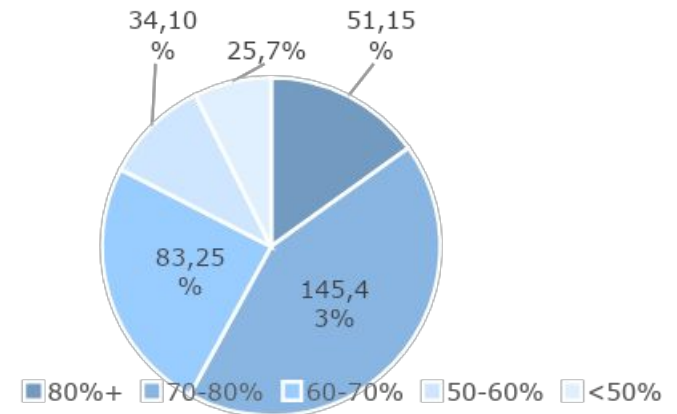
- Property Taxes comprise 64% of General Fund rev; for ½ of muni's, they comprise >70% of rev

FY23 General Fund Revenue (millions)



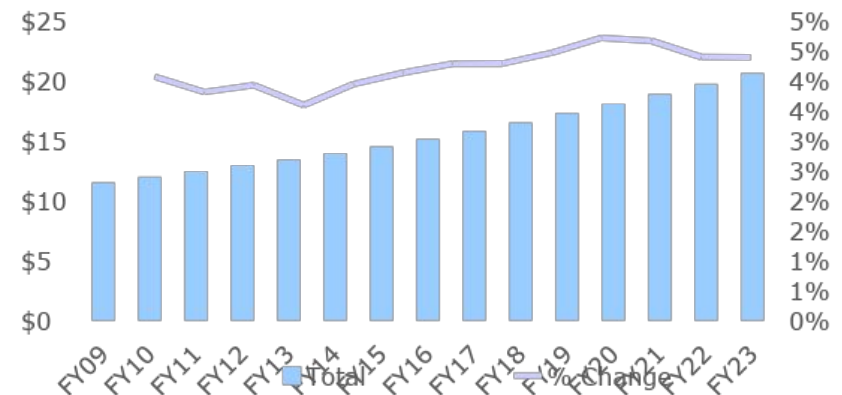
■ Tax Levy ■ State Aid ■ Local Receipts ■ All Other

Property Taxes as % of General Fund Revenue (count of muni's)



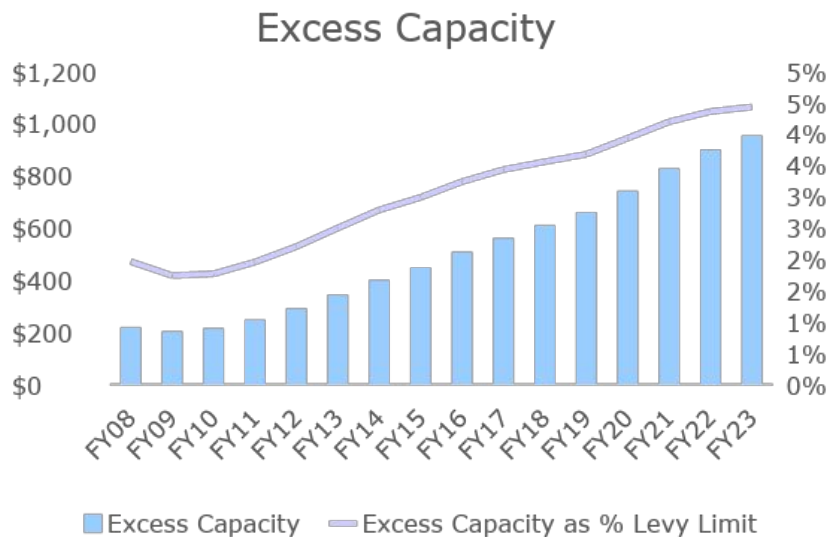
■ 80%+ ■ 70-80% ■ 60-70% ■ 50-60% ■ <50%

Property Tax Levy

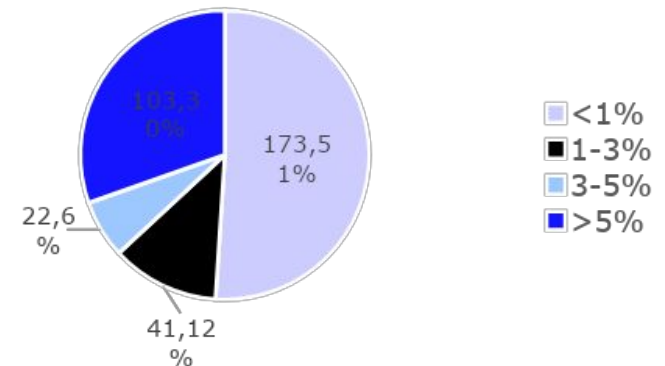


# Property Taxes

- Excess Capacity totaled \$956M, which is equal to 4.4% of the levy limit
- For ½ of the municipalities, excess capacity lower than 1% of the levy limit



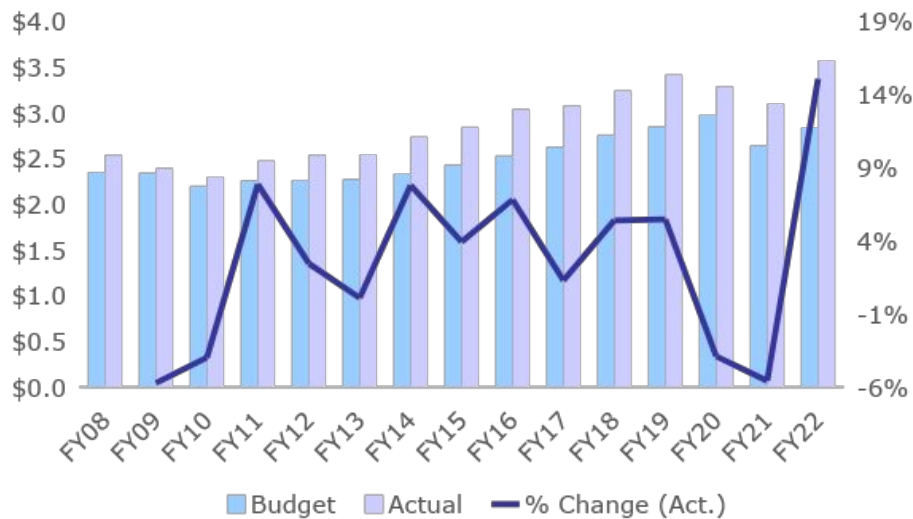
Excess Capacity as % of Levy Limit  
(count of muni's)



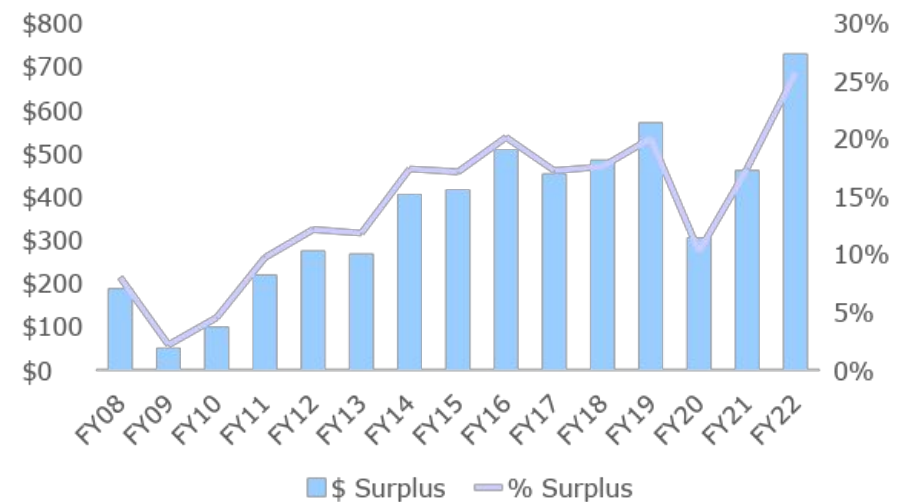
# Local Receipts

- Totalling \$2.9B, Local Receipts comprise 9% of General Fund revenue
- After a COVID-related dip, Local Receipts hit their highest mark
- The gap between estimates and actuals has increased, reaching 25% of budget

Statewide Local Receipt History



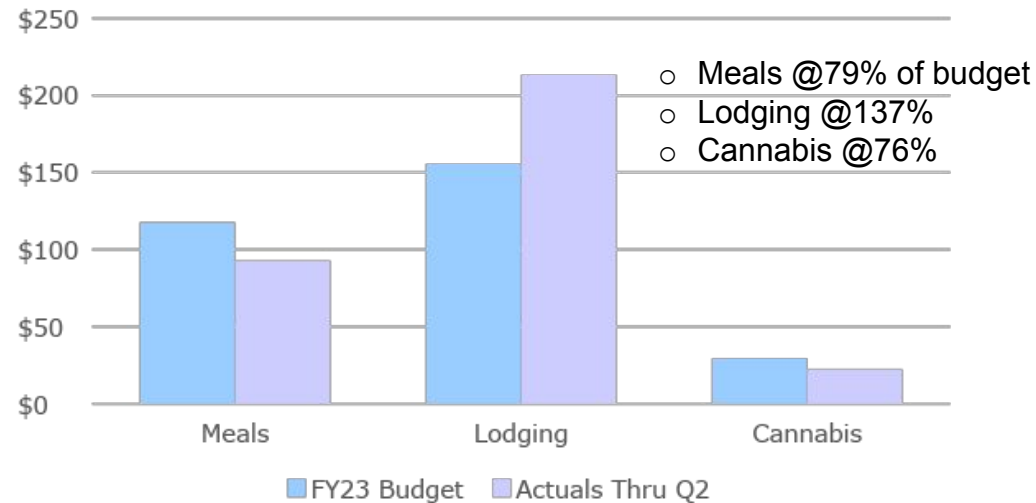
Local Receipt - Actual vs. Budget



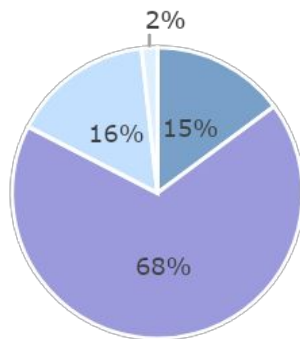
# Local Option Taxes

- Through first 2 Q's of FY23, Local Option Taxes very strong

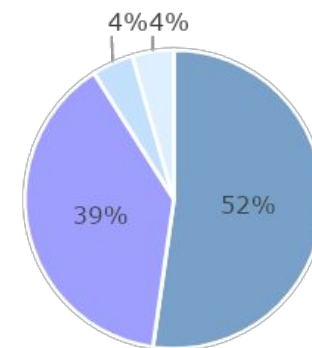
FY23 Local Option Taxes



FY23 Meals - YTD Act as % of Est  
(count of muni's)



FY23 Lodging - YTD Act as % of Est  
(count of muni's)



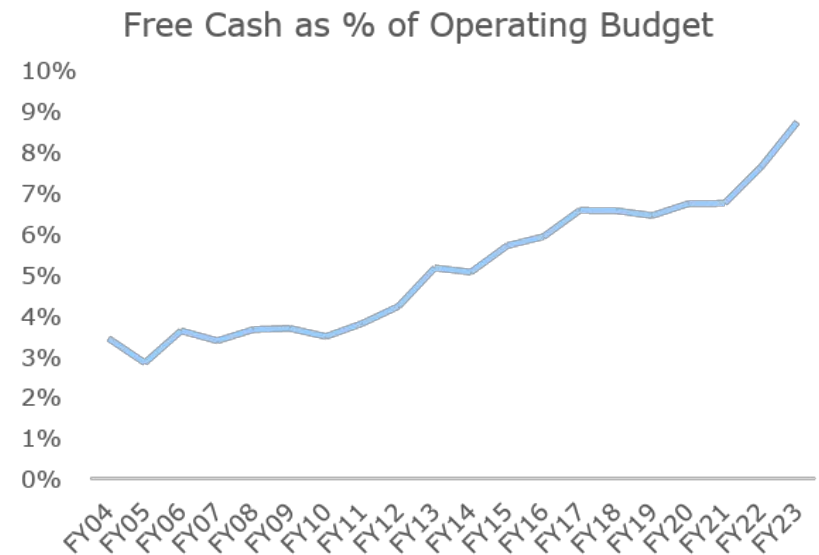
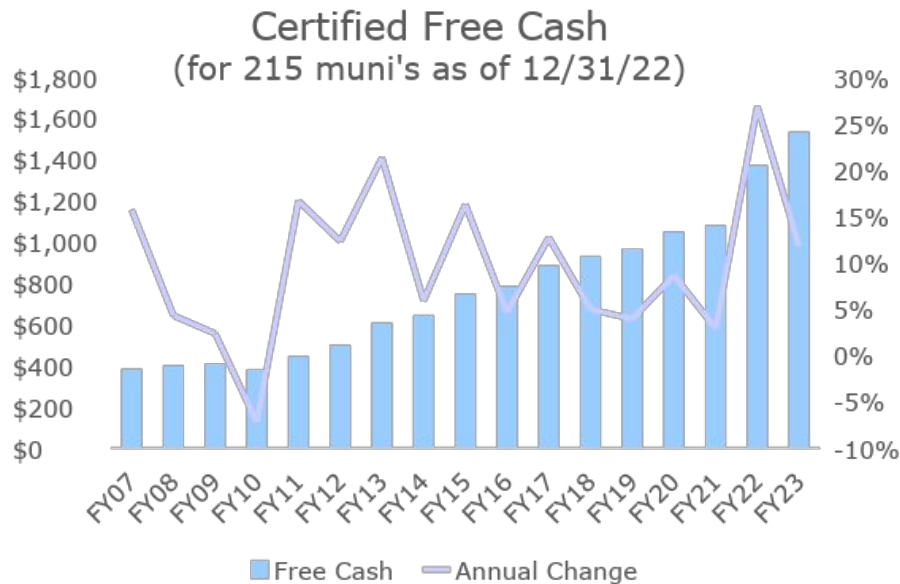
■ >100% ■ 60%-100% ■ 50%-60% ■ <50%

■ >100% ■ 60%-100% ■ 50%-60% ■ <50%



# Free Cash

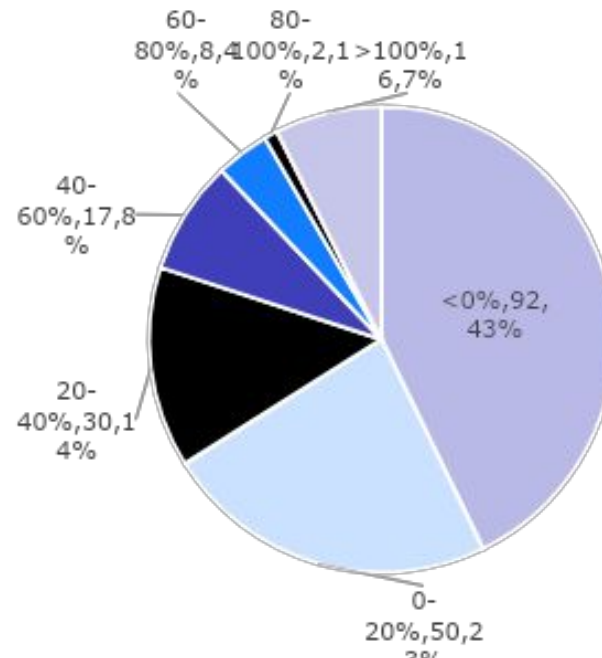
- Through December 31<sup>st</sup>, Free Cash for the 215 municipalities with certified Free Cash totals \$1.5B
- Reflects an increase of \$163M (12%) over FY22 levels for those same municipalities
- As measured as a percent of budget, it has grown to more than 8% in FY23



# Free Cash

- 92 municipalities (43%) realized a decrease
- 50 municipalities (23%) realized an increase of at least 20%
- Remaining 77 (34%) realized an increase of greater than 20%

Free Cash - FY23 vs. FY22





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## Free Cash Results

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The results show...

Statewide, Bureau of Accounts has certified to date, free cash totaling

**\$1,568,604,927**

This is an increase over the 2022 certifications of \$163,132,234 or 11.61%

Of the amount certified, the free cash proofs show that free cash was generated in the following manner:

Sources of Free Cash

Unspent 2022 Free Cash	\$596,202,612	38%
Appropriation Turnbacks	429,504,227	27%
Excess Local Receipts	430,658,632	27%
Decrease in Outstanding Receivables	47,950,343	3%
	<b>\$1,504,315,814</b>	<b>96%</b>

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## Free Cash Calculation

### Free Cash Calculation - Main Worksheet

Status: FORM APPROVED

Unlock for DLS

Jurisdiction

Fiscal Year 2022

Go

Begin:

Unreserved Undesignated Fund Balance	6,088,463
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Subtract:

Personal Property Tax Receivable	83,799
Real Estate Tax Receivable	1,023,978

Other Receivables in Deferred Revenue

<input type="checkbox"/>		0
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Total	0
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Other Receivables, Overdrawn Accounts, Deficits

<input type="checkbox"/>	SR Firefighter Equip Grant	3,677
<input type="checkbox"/>	SR Bullet Proof Vest	16,744
<input type="checkbox"/>	SR Green Communities Grant	67,886
<input type="checkbox"/>	SR EMPG 22 Grant	5,023
<input type="checkbox"/>	SR Jail/Arrest Diversion	14,421
<input type="checkbox"/>	SR Mass EVIP Fleets	7,500
<input type="checkbox"/>	SR Highway Aid	90,032
<input type="checkbox"/>	CP Kelly Corner Improvement	3,913
<input type="checkbox"/>	CP River St Dam Removal	4,736

Total	213,932
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Free Cash Voted from Town Meeting Not Recorded	0
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Add:

Circuit Breaker, Other Closed Accounts, Adjustments:

<input type="checkbox"/>		0
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Total	0
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Deferred Revenue (Credit Balance+, Debit Balance-)	-52,232
Free Cash Calculation for 2022	4,714,522

## Free Cash Proof

### Free Cash Calculation - Free Cash Proof Worksheet

Status: FORM ENTERED

Jur [REDACTED] Fiscal Year 2022 Go

Free Cash Certified Prior Year			4,796,257
Current Year Calculation			4,714,522
85% of Current Year Calculation			4,007,344
115% of Current Year Calculation			5,421,700
Add Revenue Deficits			0
Excess/Shortfall Local Receipts (CL#6)			564,073
Add Actual Revenue Received but not Estimated (CL#7)			146,697
Excess/Shortfall Cherry Sheet Receipts (CL#8)			61,562
Add Unencumbered/Unexpended Appropriations (CL#11)			877,068
Subtract Negative Free Cash Certified July 1 Prior Year			0
Add Prior Year Free Cash Not Appropriated (CL#12)			3,543,757
Add Overlay Surplus Closed (CL#13)			0
	June 30, 2021	June 30, 2022	
Personal Property	88,922	81,991	
Real Estate	760,699	1,023,947	
Tax Liens	596,770	581,481	
Foreclosures	806,452	726,464	
Deferred/Rollback	145,734	145,734	
TOTAL	2,398,577	2,559,617	-161,040
Net Change in Adjustment to Free Cash	112,708	213,932	-101,224
Other Adjustments:			
			0
			0
			0
Identified Free Cash July 1, 2022			4,930,893
Variance:			
From Current Year Calculation			216,371
Variance From 85%			923,549
Variance From 115%			-490,807
Identified Free Cash/Calculated Free Cash			104.59
Within Range (between 85% and 115%)?			True



# Free Cash Results



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

[Return to Databank Reports](#)

[Free Cash Proof](#)

[Free Cash Proof Compare](#)

Free Cash Proof Description	2021	2022
Free Cash Certified Prior Year	3,754,121	4,796,257
Current Year Calculation	4,796,257	4,714,522
Revenue Deficits	0	0
Excess/Shortfall Local Receipts (CL#6)	(343,977)	564,073
Add Actual Revenue Received but not Estimated (CL#7)	0	146,697
Excess/Shortfall Cherry Sheet Receipts (CL#8)	(44,170)	61,562
Add Unencumbered/Unexpended Appropriations (CL#11)	1,613,437	877,068
Subtract Negative Free Cash Certified July 1 Prior Year	0	0
Add Prior Year Free Cash Not Appropriated (CL#12)	3,159,121	3,543,757
Add Overlay Surplus Closed (CL#13)	0	0
Prior & Current Year Outstanding Receivables Total	136,136	(161,040)
Net Change in Adjustment to Free Cash	172,142	(101,224)
Other Adjustments	0	0
Identified Free Cash July 1,	4,692,689	4,930,893



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## Free Cash and Tax Rate Certification Process

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### Things you can do that will improve/expedite the process

#### **Tax Rate:**

1. Work together as a team to coordinate process – agree on a timeline to set the tax rate.
2. Start completing the tax rate forms as soon as you pass your budget.
3. Double check appropriations on recap page 4.
4. Coordinate the budgeted local receipts with your team – is what you estimated for local receipts to balance the budget with the same amount that is going on the local receipts page?
5. Monitor the state budget process as it evolves.
6. Ensure that increases to user fee estimates for enterprise funds can be substantiated.
7. If your property values are certified, consider holding your classification hearing and setting your tax rate, even if it's earlier than usual.

*Webinar on Tax Rate Recap form completion coming soon!*

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## Free Cash and Tax Rate Certification Process

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### **Balance Sheet:**

1. Read the Year End Letter to Accountants and Auditors.
2. Give sufficient time for certification prior to the need to appropriate free cash.
3. Keep up with cash and accounts receivables reconciliations monthly
4. Use current year forms.
5. Double check your submission for accuracy.
6. Call your field rep prior to submission with questions.
7. Watch our free cash webinar:

[Free Cash Upload & Certification Process Webinar Recording](#) (Video)





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# Chief, Bureau of Local Assessment Chris Wilcock

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<https://app.powerbigov.us/reportEmbed?reportId=d2dcb102-3f82-404b-ad2c-162f797a03e8&autoAuth=true&ctid=3e861d16-48b7-4a0e-9806-8c04d81b7b2a>



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# Chief, Municipal Finance Law Bureau Ken Woodland



## Chapter 179 of the Acts of 2022

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- **An Act Driving Clean Energy and Offshore Wind**
  - §§ 41-42
    - › Amends G.L. c. 61A, § 2A
    - › Allows agricultural/horticultural designation for land that simultaneously contains a renewable energy generating source that qualifies for a solar incentive program developed by the Department of Energy Resources
    - › Adds change of use for this category to the rollback tax provision and increases rollback recapture from 5 to 10 years - only for this category
    - › Applicable for FY24



## Chapter 268 of the Acts of 2022

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- **An Act Relating to Economic Growth and Relief for the Commonwealth**
  - §§ 90-100
    - › Amends G.L. c. 61, 61A & 61B
  - Annual applications now due Dec. 1, not Oct. 1
  - In “revaluation” years landowners who did not file timely had 30 days after the property tax bills were mailed to file; now they have until the date property tax abatement applications are due
  - G.L. c. 61B applications not acted on within three months will now be deemed allowed
  - Applicable for FY24



## Chapter 198 of the Acts of 2022

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- **An Act Relative to School Operational Efficiency**
  - Signed 8/26/22, in effect (practically most sections not applicable until FY24)
  - Sections 1-6:
    - › Concern procurement (not DLS)
  - Section 7:
    - › Amends G.L. c. 41, § 56 – Allows prepayment for “(i) school travel prior to the date of travel, or (ii) the payment of software licenses, software maintenance agreements or online subscription services for school curriculum prior to the fiscal year in which services will be rendered.”
  - Sections 8-9:
    - › Amends G.L. c. 44, § 53F1/2 – Enterprise Funds
    - › Permits “school transportation service” to be a legal purpose for which an Enterprise Fund may be established
    - › The School Committee submits this Enterprise Fund budget to the executive authority



## Chapter 198 of the Acts of 2022

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- **An Act Relative to School Operational Efficiency**
  - Section 10:
    - › Amends G.L. c. 71, § 49A – Allows payment after annual appropriations made for the ensuing FY for schools for “materials, supplies and equipment and may contract for services” - change from only being able to contract for
    - › Goods/services still must be received per G.L. c. 41, § 56
  - Section 11:
    - › Amends G.L. c. 71 – Adds § 98 Special Fund
    - › Establishment – by school district
    - › Receipts – Commonwealth reimbursements for transportation
    - › Expenditures – By School Committee for school transportation; only carries forward one fiscal year
  - [BUL-2022-8](#)



## Chapter 356 of the Acts of 2022

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- An Act further regulating tax title expense.
  - Signed on January 2, 2023, Effective April 3, 2023
    - › Amends G.L. c. 60, § 79
    - › \$50 legal fee added to the land of low value foreclosure procedure is now “\$500 or actual costs, whichever is less”