Members and affiliates:
I have been honored to have served as your President again.

With your help, we accomplished great things in education, in job awareness and in legislation. One does not achieve success without the confidence and support that all of you have given me this past year.

I want to thank my fellow Board members Ellen Blanchard, Carver; Peter Caron, Lynn; Bill Mitchell, Leominster; Paul Sullivan, Brockton; Eric Josephson, Weston; Richard Finnegan, Plymouth; Barbara Miller, Montague and Lane Partridge, Concord who have diligently supported me this past year. Their patience and understanding have made my position very rewarding. Appreciation also to the very dedicated and capable staff members who keep the association at the highest level of professionalism, Bob Ellia and Christine Purple. Also, I would like to thank two of my longtime friends and confidants, Jim Sullivan, Esq., Plymouth and Tom Mulhern, Somerville.

As I look back over the year, a great many of you I have known over the years. However, renewing friendships with Past Presidents of our Association, Committee members, Department of Revenue officials, County organization members, local city and town officials, tax representatives and members of other organizations has truly been rewarding. Even better have been the many new members and friendships. Hopefully, I have encouraged you to pursue further education, experience and a commitment to our association.

We are all part of the human side of organizations. Human relations can be defined as “the study of the behavior of people and their relationship in organizations for the purpose of attempting to meld personal needs and objectives with the overall needs and objectives of the organization.”

I believe that we have promoted the highest level of ethics and education to our members and expecting each member to do the same through their own commitment to professionalism.

We have been coordinating with all county organizations, educational programs and any other special programs of interest. The Education Committee, chaired by Bill Mitchell, M.A.A., R.M.A., Leominster has done an amazing job.

We have renewed the cooperation between our Association and the Bureau of Local Assessment. Peter Caron, M.A.A., Lynn, the Chairman of this committee, has earned the accolades for all of this. We established quarterly meetings with representatives of both groups to mutually exchange information and resolve any problems in a professional and respectful manner.

We expanded the work of the Legislative Committee. Linda Swadel, M.A.A., Westborough and Lane Partridge, M.A.A., Concord did a remarkable job along with our legislative agent, Charlie Stefanini. Especially, another successful “Day on the Hill” at the State House.

We have been monitoring the slow progress of the remaining telephone appeals at the Appellate Tax Board.

We also had an extremely successful food drive at our Fall Conference in Sturbridge and coat drive at the Winter meeting in Randolph. Contrary to what some may think, we do have a heart.

Lastly, www.maaoo.org this is our bloodline along with the newsletter. Be sure to visit often.

Take care and become more involved to carry on the tradition and high standard of our association.
COUNTY NEWS

COHASSET: Cohasset has a new staff member - Assistant Assessor Trisha O’Kane. Both Mary Quill and Trisha are members of Norfolk County for our full time position and elected Board members in Plymouth County. Mary is a member of the Pembroke Board of Assessors and Trish is a member of the Hanson Board of Assessors. Congratulations and welcome back Trish!

The Lakeville Assessors office is looking for a new Principal Assessor. Molly Reed, former Principal Assessor, has taken the Principal Assessor position in the town of Berlin. The posting will be published on the Lakeville Town website (lakevillema.org) around the 3rd week of April when the details are finalized.

Halifax Principal Assessor/Appraiser, Karen Trudeau was awarded her MAA #1224 on January 20, 2015. Congratulations, Karen!

Congratulations to Kingston’s Administrative Assessor Meredith Rafiki on the birth of her son Ilyas, born Feb 21, 2015. When do we get to see the pictures?

OFFICERS

President: Michael Flynn, MAA Newton
President Elect: Ellen Blanchard, MAA Carver
Secretary: Marion Fantucchio, MAA Quincy
Treasurer: Deborah Robbins, MAA Westwood
Immediate Past President: R. Lane Partridge, MAA Concord

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COUNTY CONTACT PERSON

Barnstable - Cathy Schaeffer, Chatham
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Worcester - Priscilla Hogan, Milford
Island Assessors - Alycelee Pigman, Tisbury

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MAAO NEWSLETTER ADVERTISING RATES

Half page — $200 Quarter Page — $100
Employment Ads — $50

CALL FOR PAPERS (ARTICLES)

We are soliciting articles for the newsletter and encouraging any and all of our members to submit an item that they believe would be of interest to our readers. If you have any desire to share knowledge of specific issues, procedures or interesting stories about the workings of your office or your community, or even a “letter to the editor” please send them to execdir@maao.org. We will be glad to publish them in our newsletter.

BARBARA MILLER RESIGNS

Barbara Miller has resigned from the MAAO Executive Board and taken a position as Treasurer for the South Hadley Fire District. Barbara was the Principal Assessor in Montague and was serving her second term as a member of the MAAO Executive Board. The MAAO wishes to thank her for her service to our association and for her dedication to the Assessing Profession. We wish her all the best of luck in her new position. Under the By-Laws she has been replaced by Ronald Keohan until the next election.
Worcester County:

Our first workshop was March 26, 2015 at the Crystal Room, in Milford. Guest Speakers were Pamela Davis, MAA, Assessor, Everett, and Dan Crumley CPA, Municipal Audit Professionals, LLC. Our topic was Personal Property from A to Z.

Pam discussed the general ins and outs of personal property administration, what is taxable based on company entity, what is public record, lease companies, abatement procedures, usefulness of tax returns and how to screen accounts for auditing. Dan discussed how audits are performed, the potential for growth, selecting accounts for audit, and how to implement an audit program.

The next county meeting was April 30, 2015 at J. Anthony’s Italian Grill, Auburn, MA. Our guest speaker was Stephanie Fatman, newly elected Worcester County Registrar of Probate. She talked about her first 100 days in office. Stephanie also shared any changes she will be making in the Probate Office and how we can better obtain information when a property transfers.

Worcester County Assessors Association is proud to announce its first free full day Clerk’s Meeting for its members. It will be held on June 10, 2015 at the Shrewsbury Town Hall. Guest Speakers will be R. Lane Partridge, MAA, Principal Assessor, Concord and Bill Mitchell, MAA, RMA, Chief Assessor, Leominster. Topics covered will be deeds, lot splits and sales coding.

Congratulations to Molly Reed on accepting the position of the Principal Assessor of Berlin, MA. Molly has over 20 years’ experience as a Massachusetts Assessor working in the Town of Wayland, MA and The Town of Lakeville, MA. Molly is a past president of the Northeast Regional Association of Assessing Officers in 2011/2012 and a Past President of the Massachusetts Association of Assessing Officers in 2009. The Town of Berlin is lucky to have her and we welcome her to Worcester County.
FROM THE EDUCATION COMMITTEE

Authors: Tony Rassias, Deputy Director of Accounts, Bureau of Accounts • Karen Rassias, Assessor, Town of Wilmington

HOW MUCH WILL AN OVERRIDE ADD TO THE TAX RATE?

WHEN THERE IS A SINGLE TAX RATE: TONY RASSIAS

I’ve been working for the Division of Local Services for many years now and I’ve been asked this question by local officials many times, mostly officials from small to mid-sized communities with single tax rates and all interested in an override. The question goes like this: If we override for $500,000, how much will the override add to our single tax rate?

Here’s my quick calculation tip. It’s easy! Yes, it’s an estimate, but it uses probably all the information known at the time of the override which is likely held well before final data is available for the fiscal year involved.

Along with the override amount, you’ll need two more things:

- page 1 of the most recently approved Tax Rate Recap; and
- your right thumb.

From page 1 of the community’s Tax Rate Recap, find the total taxable value of real and personal property. Note the red-circled amount in the example below.

<table>
<thead>
<tr>
<th>CLASS</th>
<th>(b) Levy percentage (from LA5)</th>
<th>(c) 1c above times each percent in col (b)</th>
<th>(d) Valuation by class (from LA5)</th>
<th>(e) Tax Rates (c) / (d) x 1000</th>
<th>(f) Levy by class (d) x (c) / 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>90.3574%</td>
<td>4,724,227.40</td>
<td>452,078,840.00</td>
<td>10.45</td>
<td>4,724,223.88</td>
</tr>
<tr>
<td>Net of Exempt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open Space</td>
<td>0.0000%</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Commercial</td>
<td>3.8321%</td>
<td>200,356.60</td>
<td>19,172,966.00</td>
<td>10.45</td>
<td>200,257.49</td>
</tr>
<tr>
<td>Net of Exempt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>0.2233%</td>
<td>11,674.96</td>
<td>1,117,000.00</td>
<td>10.45</td>
<td>11,672.65</td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td>94.4128%</td>
<td>472,368,806.00</td>
<td></td>
<td></td>
<td>4,936,254.02</td>
</tr>
<tr>
<td>Personal</td>
<td>5.5872%</td>
<td>292,119.83</td>
<td>27,954,265.00</td>
<td>10.45</td>
<td>292,122.07</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>500,323,071.00</td>
<td></td>
<td></td>
<td>5,228,376.09</td>
</tr>
</tbody>
</table>

Once again, take your right thumb and cover the next digit to the left like this: (I moved the comma again)

Now take your right thumb and cover the next digit to the left like this: (I moved the comma)

500,323,071.00

In our example, this means that for every $500,323 of override, the single tax rate will increase by $1 per thousand. Let’s continue.

50,032

In our example, this means that for every $50,032 of override, the single tax rate will increase by 10¢ per thousand.

5,003

In our example, this means that for every $5,003 of override, the single tax rate will increase by 1¢ per thousand.

So to answer the question, a $500,000 override would increase the single tax rate about $1 per thousand.
WHEN THERE ARE MULTIPLE TAX RATES: KAREN RASSIAS

I’ve been a municipal assessor for many years now and I’ve been asked this same question from both local officials and taxpayers. Here are my two quick calculation tips. Let’s use the same example as before knowing that the single tax rate will increase by about $1 per thousand.

Here’s my first tip. You’ll need two more things:

- an assumed residential factor (let’s assume 95%);
- an assumed CIP shift (let’s assume 150%).

Multiply the estimated effect upon a single tax rate ($1 per thousand) by the assumed residential factor (95%) to get the estimated effect on the Residential tax rate ($1 per thousand x 0.95 = 95¢ per thousand).

Multiply the estimated effect upon a single tax rate ($1 per thousand) by the assumed CIP shift (150%) to get the estimated effect on the CIP classes ($1 per thousand x 1.5 = $1.50 per thousand).

Here’s my second tip. Use DLS’ Gateway.

1. Click on the Tax Rate Module at the top of the screen, scroll down and look to the left for Tax Rate – Reports, then find Options Table:

2. After you click on Options Table, select the most recent fiscal year for which LA-4 values are entered. As shown below, the values will automatically appear. Now enter the override amount as the Estimated Levy ($500,000), the CIP shift from 1% (shown as 1) to 150% (shown as 1.5), and click on Calculate.

3. You’ll then see estimated tax rates for an override of $500,000 for a single tax rate all the way down to a 150% CIP shift. You can export this information to an EXCEL file and manipulate the columns like this:

<table>
<thead>
<tr>
<th>CIP Shift</th>
<th>Res Factor</th>
<th>Res</th>
<th>OS</th>
<th>Com</th>
<th>Ind</th>
<th>PP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1.01</td>
<td>99.8933</td>
<td>1</td>
<td>0</td>
<td>1.01</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1.02</td>
<td>99.7866</td>
<td>1</td>
<td>0</td>
<td>1.02</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1.03</td>
<td>99.6799</td>
<td>1</td>
<td>0</td>
<td>1.03</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1.04</td>
<td>99.5731</td>
<td>1</td>
<td>0</td>
<td>1.04</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1.05</td>
<td>99.4664</td>
<td>0.99</td>
<td>0</td>
<td>1.05</td>
<td>1.1</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Notice how no shift at all (in yellow highlight) increases a single tax rate by $1 per thousand. Also notice how a 150% shift to CIP (in gray highlight) reduces the Residential rate to 95¢ per thousand and increases the CIP rate to $1.50 per thousand.

So the next time the question is asked, we hope that you’ll use one of these tools to help estimate an overrides effect upon your communities tax rate.
Property Revenue Optimization

AssessPro - a highly versatile and comprehensive computer Assisted Mass Appraisal application
- Simplified data entry, search and look up features and reporting for easy use
- Reduced risk by eliminating multiple independent applications
- Improved communications and auditing across departments and reduction of the need to import and export data
- Consolidated databases for improved integrity and reliability
- Personal Property application includes online filing of forms of list
- Embedded GIS links using ESRI tools. Geo Reference points can be attached to the property sketch for exact orientation of structures on the plot!
- Integrated Sketching and Geospatial tools that graphically extend the CAMA functions
- Multi-year handling, work can be performed for future dates

CollectPro - an optimized, integrated tax administration package for local government Assessing, Treasurers and Collectors
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The 2013 Appellate Tax Board Update
A review and analysis of key 2011 real estate valuation decisions from the Appellate Tax Board is now available without charge from David J. Martel, Esq.

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The current Update and previous editions are also available online at www.dwpm.com

(No need to reply if you’re already on the mailing list.)
LEGAL MATTERS

David J. Martel and Rosemary Crowley, Esquires

A recent Appellate Tax Board case out of Pembroke provides an excellent example of a rejection of a charitable tax exemption for land that the non-profit owner asserted was being held for conservation purposes. The case is the first to apply the factors enunciated in New England For estry Foundation, Inc. v. Hawley Assessors, 468 Mass. 138 (2014) (“NEFF”). The case also strikes some familiar notes since the Forges Farms charitable exemption case (where the exemption was denied) also came out of Pembroke where Catherine Salmon serves as Chief Assessor.

The case at issue is Anna Harris Smith Conservation Trust, Inc. v. Pembroke Assessors, (ATB, April 1, 2015). The land involved in the case was a 60-acre parcel of vacant, wooded land with wetlands and without frontage. Until 2003, the parcel was part of a larger 69-acre parcel that had been backland to a 9-acre parcel with an animal shelter on it. In 2003, the Trust was created as an I.R.C. 501(c)(3) tax exempt entity. It immediately purchased for nominal consideration, as its sole property, the 60 acres of backland along with an access easement over the animal shelter’s property. The Trust’s articles of organization included the following purposes: conservation, creation of a refuge for wild and domesticated animals, preservation of open space accessible to the public, education and provision of final resting places for deceased animals.

Based on the evidence presented at hearing, the ATB found that the Trust did not own or manage any other property. On the subject property were trails, dog waste stations and a boardwalk over wetlands. While the allowance of dog burial was intended, no burials had actually taken place. There was an overlap between the Trust and the animal shelter’s directors.

The only indication to the public that the land was accessible was the one-time publication of two sentences in the “Wicked Local Pembroke” newspaper. Further, the public would have to go over the animal shelter’s property to access the subject property and there were no signs providing directions. There were “PRIVATE PROPERTY” signs which stated in smaller letters “hunting prohibited.” The Trust’s director testified that those signs were posted to prohibit hunting, not to keep the public off the property. When asked what species of wildlife, flora and fauna were protected on the property, the director testified that squirrels, deer, trees and shrubs were present and alive on the property. Finally, the director testified that he “swings by” the perimeter of the property monthly to check on the private property signs and the usually-empty dog waste stations. He entered the property perhaps three times a year.

Applying the factors set out in NEFF, the ATB found first that the Trust was not a “bona fide conservation organization.” The Trust did not present any of the factors set out in footnote 10 of the NEFF decision since it did not own or manage any other property for its charitable purposes or work with government or other conservation organizations in conservation efforts. It had no employees to carry out its asserted mission. Its monitoring of the property was minimal and only in the form of its director “swing[ing] by.” There were no programs or materials offered by the Trust. The “Private Property” signs served the purpose of effectively excluding the public. Further, the Trust showed no evidence that it even attempted to fulfill many of its stated purposes set out in its articles of organization. The ATB found that it did not qualify as a “bona fide conservation organization” and therefore did not qualify as a “charitable organization” under G.L. c. 59, sec. 5, Clause Third.

THE REST OF THE STORY...

For several years, the Trust unsuccessfully applied for charitable exempt status, but it never sought forest, agricultural or recreational chapter land status to reduce its tax burden. Such status would not have precluded it from filing future charitable exemption applications, however, right of first refusal, rollback and conveyance penalties that come with chapter status would have protected the land from development. The 9-acre parcel and its abandoned animal shelter has been developed. Development of the subject property may be in the works. These limitations on further development could well have been the motivation behind the tax exemption quest and explain the owner’s reluctance to seek chapter land protection.

David J. Martel and Rosemary Crowley are with the firm of Doherty, Wallace, Pillsbury and Murphy, P.C. in Springfield. Mr. Martel’s e-mail address is dmartel@dwpm.com and he welcomes comments on this column and suggestions for future topic.
GET WELL WISHES, MARION FANTUCCHIO

Marion Fantucchio, Quincy Assessor and longtime Secretary of the MAAO has been battling health issues for a couple of months. She has been in and out of the hospital a couple of times dealing with triple by-pass surgery. A friend reports that she spoke with her on Sunday (4/26) she was doing great. She is out of the hospital and back at the rehab. She had developed complications from the bypass and ended up back in Beth Israel for about a week. But she is on the road to recovery. That Sunday (4/26) she sounded better than she had for a long time. Hopefully she will be out of the rehab soon and back home on the road to recovery.

MARION, YOU ARE MISSED BY MANY.
We all hope to see you at the Red Jacket in June.
LEGISLATIVE UPDATE MAY 2015

Charles Stefanini, MAAO Legislative Agent

CHANGES ON BEACON HILL
The new legislative session has brought a lot of change to Beacon Hill. Governor Baker took office in January. Senator Stan Rosenberg from Amherst was appointed Senate President, replacing Terry Murray who was term limited in her Senate Presidency. Senator Rosenberg’s election as Senate President has led to significant leadership and Committee changes in the Senate – of note Harriette Chandler from Worcester as Senate Majority Leader, Karen Spilka from Framingham as Chair of the Senate Ways and Means Committee.

LEGISLATIVE SESSION OVERVIEW
As time of print Governor Baker had filed in March and the House of Representatives passed their version of the Fiscal Year 2016 state budget which includes balancing a $1.5+ billion deficit. The budget bill moves to the State Senate for debate in May. The Legislature’s Committee have begun their public hearings on all bills filed for the session.

MAAO 2015-16 LEGISLATIVE SESSION PRIORITIES
The goal of the MAAO legislative agenda is to ensure the state’s tax policy laws are administered in a fair and equitable way. We aim to identify inconsistencies and remedy them.

NEW BILLS

SOLAR TAX EXEMPTION MODERNIZATION
H 2465 Rep. Gailanne Cariddi
H 2483 Rep. Stephen DiNatale

The current state law on solar tax exemption is outdated and ambiguous. Technology has changed and the law hasn’t kept up with it. This bill clarifies the property tax exemption for people who use the power on site, contiguous site or on-contiguous real property owned or leased by the owner, or in which the owner otherwise holds an interest (up to 125%) or have a PILOT agreement with their community; and excludes solar facilities from M.G.L. Chapter 38H which was intended for generation facilities with their community; and excludes solar facilities from M.G.L. Chapter 38H which was intended for generation facilities.

STREAMLINE CHAPTER LAND FILING DEADLINE DATES (FOR REVALUATION AND RECERTIFICATION)
H 2491 Rep. Carolyn Dykema

The legislation streamlines and clarifies the filing dates for landowners for Chapter land applications. Current laws regarding application deadlines during revaluation and recertification periods are inconsistent. This bill would streamline and synch the dates.

CREATE UNIFORMITY ON TAX EXEMPTION APPLICATION DUE DATES

H 2462 Rep. Jim Cantwell
This measure helps taxpayers know when exemption applications are due. The City of Boston recently passed a bill (Chapter 115 of 2014) to create uniformity in application deadlines for property tax. This bill would create that uniformity across all communities. Currently exemption applications are due three (3) months after actual tax bills are issued, which is different all over the State. This would make the deadline date specific.

BOAT MODERNIZATION BILL/AN ACT RELATIVE TO MARINE VESSELS

S 343 Sen. Bruce Tarr
H 2504 Rep. Ann-Margaret Ferrante

This legislation modernizes and streamlines the excise collection system. The current excise collection process for boats is outdated, archaic and cumbersome. The current statute is antiquated, difficult and labor intensive to implement. Consequently, many cities and towns do not issue boat excise tax bills, losing badly needed revenue for communities and creating an unfair advantage for boat owners in these communities and boat owners in communities where the boat excise tax bills are issued.

RE-FILED BILLS

RIGHT OF FIRST REFUSAL FOR TAX EXEMPT PROPERTY
H 2513 Rep. Sean Garballey

This bill would allow the community to have the right of first refusal to purchase a tax-exempt property (at market value) which is being sold to a taxable entity.

CONDOMINIUM PHASE-IN BILL
H 2586 Rep. Stephen Kulik

This bill would enable assessors to assess the development rights of condominiums in phased condo developments. Currently, because there is no land assessment on condos, when the master deed is filed the value of the land goes away, even if the developer does not complete the phasing of the project. The re-drafted version specifies that the un-built unit interests are subject to the property tax but not the common areas.

FAIRNESS AND UNIFORMITY FOR SUPPLEMENTAL REAL ESTATE TAXES
H 2537 Rep. Kate Hogan

Currently if the total value of a parcel of property increases by more than 50% state law has assessors send a supplemental tax bill under MGL Chapter 59, Section 2D. This bill would exclude the value of the land from the formula, so that if the value of the improvement increases by 50%, regardless of the land value, cities and towns would issue a supplemental bill. The same addition to home may be tax-exempt solely based on the neighborhood or location of that home. The bill also allows communities to more easily help homeowners in cases of damage or disaster. If a property is damaged due to disaster or storm, a families’ abatement shouldn’t be predicated on where they live if 50% of the value of their home has been destroyed.
MAA DESIGNATIONS AWARDED

At the Spring Conference and at the Winter Meeting several MAA designations were awarded. This is a significant accomplishment for those dedicated professionals who have demonstrated the determination and desire to improve their knowledge and standing in our profession. We want to congratulate them all in their success.

MAA’s Awarded at the Spring Conference, April 15, 2015
New MAA designees from left to right; Padraig Doyle, Marie Caruso, President Flynn, Donna Pendexter, and Randall Austin.
Also awarded but not present was Jessica Garcia and Carolyn Reed

MAA’s Awarded at Lombardo’s February 11, 2015
From Left to Right, Front Row: Toula Guarino, Rick Ladd, Lydia Cordeiro, Karen Trudeau, and Russell D’Auria
Back Row: Andrew Smyth, Jonathan Greeno
Also awarded but not present was Beth MacKay, Dawnelle Margro, Kenneth Manlove, Lee Marcella, & Wendy Elassy
SPRING CONFERENCE, DEVENS COMMONS, DEVENS

(YAY SPRING!!!!) Finally!!

We had a great conference this past April at Devens Commons. After this terrible winter anything with the word “Spring” in it would have been a success. We did have a good turnout for a comprehensive and well received program. Steve Elliot gave a very informative presentation in his indomitable style that dealt with land leases and the effect they have on value. Steve is always well received by our members and consistently provides a strong and informative session. Charlie Stefanini, our legislative agent, and Lane Partridge, Chair of the Legislative Committee provided timely and helpful information on the status of our legislative package and Joanne Graziano along with Debbie Joyce and Jim Paquette provided much useful information about the DOR and the upcoming certification process.

The venue at Devens Common is always well received and seems to be a very popular location for our annual Spring Conference. We hope to be there again next year with another strong program.

Steve Elliott, MRA, SRA
Charlie Stefanini, Legislative Agent
Joanne Graziano, DOR
President Flynn Welcomes the Crowd
**WINTER MEETING, LOMBARDO’S 2015**

In spite of the snow and cold we managed a very successful Winter Meeting with a strong turnout. We are thankful to all our members that braved this terrible winter to take the opportunity to attend a very strong and productive program. Thanks to Mike Tarello and Jim Johnson for an excellent presentation dealing with both the assessor and appraiser side of the appraisal process and also to Jim Rose, ATB Commissioner for his guidance and advice on working with the ATB.

In addition we held a very successful “Coat Drive” on behalf of the Big Brothers Big Sisters Association. We want to thank all our members who generously contributed to this worthwhile cause and allowed us to help people get through the worst winter in my memory!!!

Thank you all very much.

![Just a Small Part of the Group](image1)

![James Rose, Commissioner ATB](image2)

**AWARDS & SCHOLARSHIPS**

MAAO Awards and Scholarships are presented at the Annual Meeting at the Summer Conference.

Scholarship Applications must be returned to the Scholarship Committee by June 1st.

They should be sent to MAAO, PO Box 70, Shrewsbury, MA 01545

or emailed to execdir@maao.org.

The application forms can be downloaded here: MAAO Scholarship Application.

Also, the date for Awards nominations is June 5th.

Please submit nominations on the attached forms for the following awards.

Wilson Award Application Form: [www.maaو.org/content/2015 Wilson Award Application.pdf](http://www.maaو.org/content/2015 Wilson Award Application.pdf)

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Walgreens and CVS Declare War on Property Taxes

By Patrick Clark
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Walgreens boasts convenient locations, a wide array of products, and a killer tax strategy.

When it works, local tax officials warn, kids and homeowners suffer.

In the fall of 2012, county tax officials in Kentucky began preparing for a clash with the pharmacy chain, which operates thousands of stores in the U.S. and has a market value of more than $90 billion. Walgreens was challenging its tax assessments at stores across the state. If the company won, the assessors feared, other national retailers would follow suit, threatening the budgets of already struggling school districts.

“If you start losing the tax assessments on all of these leases, the cost is going to be hundreds of millions of dollars,” said David O’Neill, the property valuation administrator in Kentucky’s Fayette County.

The tax people rallied. Workers in the state’s largest counties compiled a report on Walgreens’ strategy and circulated it to smaller tax offices. When the Deerfield (Ill.)-based chain asked a state court to halve the taxes on a drugstore in Lexington, the assessors passed the hat. Kentucky school districts, which receive about two-thirds of property tax revenue, chipped in $26,000 so the county could afford to hire expert witnesses.

Last month, a Kentucky circuit court judge ruled in favor of Fayette County, which includes Lexington, concluding the latest skirmish in a long-running battle between national drugstore chains and tax assessors. Walgreens declined to say whether the company would appeal the ruling.

Walgreens, CVS, and other big drugstore chains have been challenging property tax assessments in courts around the country for the past decade, with little national notice. They argue, sometimes successfully, that the rent they pay their commercial landlords doesn’t accurately reflect property values. When they win, they get their tax bills slashed.

Here’s how it works:

Most national retailers would rather rent their stores than tie up billions of dollars in real estate. Walgreens leased 80 percent of its 8,300 stores as of August 2014, according to company filings. CVS owned just 5 percent of its 7,800 stores as of the end of last year.

The basic idea is to rent stores under contracts, called net leases, that make the tenants—the drugstores—responsible for property taxes and other expenses. To compensate the investors who sink cash into the real estate, Walgreens and other retailers pay rents that include a premium above the cost of building the store. Once the stores are occupied, net leases often trade among investors.

It’s a hefty market. About $45 billion in net leases for U.S. properties changed hands in 2014, according to Will Pike, a senior vice president at commercial real estate firm CBRE.

In tax board and judicial appeals that have sought to cut levies by more than 50 percent, Walgreens and CVS have argued that the price investors will pay to own a drugstore lease is the wrong tool for determining the tax. Instead, they say, the assessments should hinge on the amount the landlord could get if the drugstore moved out and another retailer moved in. That would lower the assessment, because the pharmacy chains have proved willing to pay higher rents than other tenants.

So the same premium that entices investors to buy the net leases gives the drugstores leverage in their tax arguments.

The chains complain that counties are taxing corporate debt instead of sticks, bricks, and mud—assessors’ slang for land and buildings.

“CVS Health is committed to being a good corporate citizen in the communities we serve and to paying our fair share of property tax,” said Mike DeAngelis, director of public relations for the company.

Walgreens, too, says it is committed to paying what’s fair. “We’ve become more concerned in recent years with the use of valuation methodologies based on the value of our long-term leases in addition to the value of the real estate itself,” said spokesman Phil Caruso.
The strategy has met with mixed results. In Florida and New York, where Rite Aid has challenged its assessments, courts have rejected the net lease argument. Wisconsin has ruled in favor of pharmacies. Tax assessors scored in the Ohio courts but saw their points erased when the state’s legislature revised the tax law in the pharmacies’ favor.

More cases could be on the way. A Walgreens employee named Anna Pelts testified during the Fayette County case that the company was appealing the majority of its assessments over $3.5 million, according to legal briefs filed in the case.

Commercial property taxes fund public schools, roads, and other infrastructure in many states. Big-box stores and other national retailers have tried out the drugstores’ argument, said Tim Wilmath, a tax assessor in Hillsborough County, Fla., whose office won a state court case against CVS in 2013. But the pharmacy chains have the most at stake. That’s because of the premium they’re willing to pay for stores in busy locations, and because they lease a lot of stores, relative to other retailers.

“If they can sell the argument, they reap tremendous reward,” Wilmath said.

In 2005, Walgreens made a deal with a local developer to lease a drugstore on the site of a former Howard Johnson hotel on Nicholasville Road, a seven-lane thoroughfare that carries commuters past the University of Kentucky Medical Center and into the city’s downtown. Two years later, the developer sold the lease—which required the pharmacy to pay $33,500 a month for at least 25 years—to an investor for $6.3 million.

O’Neill, the tax assessor, used that price to value the store at $5.1 million in 2012. That figure was based on an agreement between Walgreens and a previous assessor to value stores below the sale price of the lease to avoid a formal appeal, O’Neill says.

But Walgreens argued that number was too high, because it included a return on investment for the developer. “Walgreens pays rent that is in excess of market because this business arrangement is, in essence, a financing mechanism,” the company argued in a legal brief.

Amid the disagreement, lawyers on both sides have sought the higher moral ground.

“In Kentucky, the school districts are hungry for money, big time,” said Robert Hill, a Maplewood (Minn.)-based lawyer who has represented both Walgreens and CVS in property tax cases. “The assessors want to make it so if you’re a national chain, you subsidize everyone else.”

Amy Seibel, a lawyer in Mequon, Wisc., who has represented tax assessors against the pharmacy chains, said homeowners can expect their tax assessments to rise as counties try to make up for lost revenue.

“The average homeowner is outraged when you tell them what’s happening,” she said.

The chains will keep fighting. Walgreens spent five years battling the tax assessment on a Madison (Wisc.) drugstore before winning a state Supreme Court judgment in 2008. In Fayette County, even if the recent ruling stands, the county probably won’t be done grappling with the pharmacy chains.

As Wilmath, the Florida assessor, put it: “Walgreens and CVS are very, very aggressive in their property tax appeals.”

—With assistance from Michael Novatkoski
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