



**TOWN OF BELMONT**  
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**TOWN ADMINISTRATOR**  
PATRICE GARVIN

**ASSISTANT TOWN ADMINISTRATOR**  
JENNIFER HEWITT

To: Patrice Garvin, Town Administrator  
From: Jennifer Hewitt, ATA/Finance Director  
Dan Dargon, Assessing Administrator  
Date: April 4, 2025  
Re: Recommendation for Overlay Release in FY2025

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It has been several years since the Board of Assessors released amounts from the Overlay. During that period, a small balance has built up. The purpose of this memo is to recommend that a portion of the balance be released to the General Fund where it becomes available for further appropriation, transfer to a stabilization fund, or will fall to Free Cash. We have discussed this with the Board of Assessors, and they are willing to take action on this recommendation in consultation with the Select Board.

The Overlay is required as part of the annual tax-rate setting process. Its purpose is to fund tax abatements and exemptions. Any remaining balance at the end of the year can be returned to the General Fund, within guidelines issued by the MA Dept. of Revenue Division of Local Services ([IGR 17-23](#)). Those guidelines require the Town to consider potential future liabilities, including unpaid taxes, and pending Appellate Tax Board cases. The attached calculation follows the guidelines, and results in an “excess” in the Overlay account of approximately \$920,000.

The Assessors are recommending a smaller release of \$600,000 in recognition of several factors –

- Post-override, the Board received many abatement requests for FY2025, and is taking some time to work through them. It is impossible to know with any degree of certainty how the final abatement tally will compare to totals in past years.
- Belmont tax bills continue to increase, which puts upward pressure on the value of abatements granted. The April 2024 override is only now reflected in abatement requests. It would be premature to release more without being able to quantify the impact of the override on abatements.
- There has been a push to educate residents about available tax exemptions, which has generated additional applications. We would like to gauge the impact of that effort.

- The Assessors' Computer Assisted Mass Appraisal (CAMA) system will be upgraded over the next 6 months. Whenever updates are made to such a complicated and important database, there are bound to be impacts. While efforts will of course be made to mitigate them, the impact on the Overlay will likely not be fully realized for at least a cycle or two.
- We have concerns that the current level of funding for the Overlay (\$840,000) may be insufficient going forward as the overall tax levy continues to grow. The recommended percentage of the tax levy is 0.8-1.0%, while the FY2025 funding level was 0.63%. It will be important to let 2 or 3 years pass post-override to get a better sense of demand on the Overlay. Preserving a balance for now provides flexibility to allow the Town to draw from the balance if usage grows, and adjust budget forecasts in the future.

### CALCULATING EXCESS OVERLAY, PER DLS IGR 17-23

Aggregated Balance	\$2,528,799	<i>Reflects balance through FY2024</i>
FY25 Overlay Set-aside	\$840,000	
<b>Total Overlay Balance</b>	<b>\$3,368,799</b>	
Receivables Balance - Prior Years	\$122,000	
Outstanding Real Estate - FY25	\$1,000,000	
Outstanding Pers. Prop. - FY25	\$5,100	
Potential Abatements - ATB cases	\$250,000	
Potential Abatements - FY25	\$600,000	<i>Post-override, large number of applications</i>
Potential Exemptions - FY25	\$200,000	
Set-Aside for CAMA Conversion	\$250,000	<i>Anticipate some impact from transition</i>
Uncollectible Tax Title amounts	\$23,000	<i>Land of Low value from 1960s - working to clean-up now</i>
<b>Total Potential Liabilities</b>	<b>\$2,450,100</b>	
<b>"Excess" Overlay</b>	<b>\$918,699</b>	
<b>Board of Assessors' Release</b>	<b>\$600,000</b>	

## OVERVIEW OF BELMONT OVERLAY FUNDING

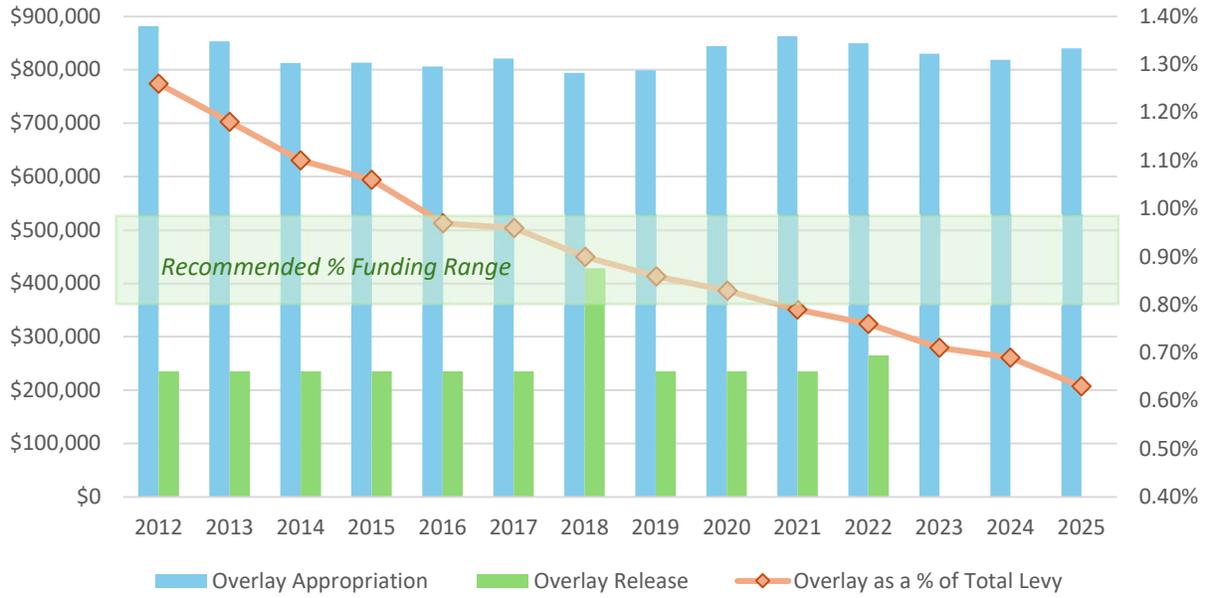
The Overlay is a state-mandated account that the Board of Assessors use to pay for Real Estate and Personal Property Tax Abatements and Property Tax Exemptions, including the Senior Tax Work-off Program. As part of the annual budget process, the Town sets aside an amount for the Overlay to cover anticipated expenses, and the Assessors can release any remaining funds. The Overlay release is available for further appropriation or to contribute to Free Cash. Any balance remaining in the Overlay rolls forward for use in future years. There are strict guidelines issued by the Massachusetts Department of Revenue's Division of Local Services (DLS) that cover maintaining sufficient balances in the Overlay, which are enforced as part of the annual tax-rate process. These consider pending cases with the Appellate Tax Board, as well as receivables balances for real estate and personal property taxes.

Prior to 2016, towns tracked the Overlay by individual year – enough had to be set aside to cover that year's abatement requests, as well as potential future liabilities tied to that year. This effectively encouraged Towns to maintain dozens of accounts with small individual balances, but large collective balances. The Municipal Modernization Act of 2016 allowed Overlay balances to be pooled across years, thereby providing greater flexibility for the Assessors, enabling more of the Overlay to be available for use and/or release.

An Overlay Release is considered one-time funding, and DLS cautions that it should be used for one-time purposes, such as a capital investment or a reserve transfer. In the early 2020s, Belmont had gotten into a habit of funding the Overlay at approximately \$840,000 each year but then counting on an Overlay Release of \$235,000 to balance its budget. For FY2023, the new Finance Director recognized the disconnect and discontinued the practice as part of a revenue reforecast. In the intervening years, a small balance has built up, and there is discussion now about how much, if any, to release. Town Meeting will have an opportunity to appropriate the funds, and potential needs have been floated for discussion.

As the Town's overall Real Estate (RE) tax receipts grow, so should the annual amount set aside for the Overlay. [DLS recommends](#) 0.8%-1.0% of RE revenues. Belmont has set aside approximately \$840,000 annually over the past decade or more, during a time when tax revenues have grown due to debt exclusions and successful overrides. As a result, while the \$840,000 was originally well above the recommended funding percentage, indicated by the green shading in the chart below, we are now below it, which will need to be considered as part of any discussions about Overlay Release and future funding levels.

## History of Overlay Appropriations and Releases



(000s)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Levy	69,867	72,058	73,994	76,468	82,876	85,533	88,543	92,738	101,308	109,493	111,720	116,506	119,378	132,510
Overlay	881	853	812	813	806	821	794	799	844	863	849	830	818	840
% of Levy	1.26%	1.18%	1.10%	1.06%	0.97%	0.96%	0.90%	0.86%	0.83%	0.79%	0.76%	0.71%	0.69%	0.63%
Release	235	235	235	235	235	235	429	235	235	235	265	-	-	-