

DOES PROPOSITION 2 ½ RAISE MY TAXES BY 2 ½ %?

- NO. Proposition 2 ½ simply raises the levy limit for the *entire town* by 2 ½ % over the previous year. It does not necessarily raise *individual* tax bills by only 2 ½ %.

WHAT IS A LEVY?

- The property tax levy is the revenue a community can raise through real estate taxes (on land and buildings, etc) and personal property taxes (on items owned by a business or the contents of a second home or cottage).
- In Massachusetts, municipal revenues to support local spending for schools, public safety, and other public services are raised through the property tax levy, state aid, local receipts and other sources.

WHAT IS A LEVY LIMIT?

- Proposition 2 ½ places constraints on the amount of the levy raised by a city or town and on how much the levy can be increased from year to year. A *levy limit* is a restriction on the amount of property taxes a community can levy.
- Proposition 2 ½ also provides communities with some flexibility, with voter approval, to increase the levy limit on a temporary basis (debt exclusion), as well as to increase the levy limit on a permanent basis (over-ride).

HOW IS A LEVY LIMIT INCREASED?

- **Automatic 2.5% Increases** - Each year, since 1981 when Proposition 2 ½ went into effect, a community's levy limit automatically increases by 2.5% over the previous year's levy limit.

LAST YEAR'S LEVY LIMIT	\$30,000,000
2.5% of \$30,000,000	+ \$ 750,000
LAST YEAR'S LEVY LIMIT + 2.5%	\$30,750,000

- **Growth Resulting from New Construction** - A community is able to increase its levy limit each year to reflect growth in the tax base resulting from new construction, parcel subdivisions, properties previously exempt and new Personal Property accounts for example.

LAST YEAR'S LEVY LIMIT + 2.5%	\$30,750,000
THIS YEAR'S NEW GROWTH	<u>\$ 500,000</u>
SUBTOTAL	\$31,250,000

- **Overrides** - A community can permanently increase its levy limit by successfully voting an override to maintain such things as current services and personnel or to add a department or positions.

SUBTOTAL	\$31,250,000
THIS YEAR'S OVER-RIDE	<u>\$ 1,000,000</u>
NEW LEVY LIMIT	\$32,250,000

\$32,250,000 WOULD BE OUR NEW LEVY LIMIT WHICH IS THE AMOUNT THE TOWN CAN, BY LAW, RAISE BY TAXATION FOR THE CURRENT TAX YEAR

- **Debt Exclusions** - A community can temporarily increase its levy limit by successfully voting a debt exclusion to build a new school, fire station or other large municipal project for example.

A DEBT EXCLUSION DOES NOT CHANGE THE LEVY LIMIT FOR THE FOLLOWING YEAR

- In summary, the levy limit can increase from year to year in these ways: automatic 2.5% increase, new growth, and overrides. Once the levy limit is increased through any of these ways, the increased levy limit amount becomes the base upon which levy limits are calculated for future years.