Town of Easton

Property Taxation in Massachusetts Municipalities

Understanding Your Tax Bill and Why it Changes

Key terms: *Property Tax, Tax Levy, Tax Rate, Assessed Value, Proposition 2 ½, New Growth, Override*

Often the largest source of revenue for Massachusetts municipalities, **property taxes** are paid for any residential real estate, commercial, or industrial property owned within the jurisdiction of a municipality. While many residents and members of communities pay property taxes every year, not everyone understands the methodology for setting the **tax rate** and the **tax levy**, which govern the total dollar amount that each individual will pay in taxes for a given year based on the **assessed value** of their property.

Assessed Value: the fair market value of property as determined annually by the Assessors (Mass. General Laws, Ch. 59).

Tax Levy: the tax levy is the total dollar amount of taxation to be collected in a given year. This levy is set by the local legislative branch and is governed by Mass. General Laws Ch. 59, S. 21C, or **Proposition 2 ½** as it is commonly known, and cannot increase by more than 2.5% from the previous year (with limited exceptions).

New Growth, or new property built during the previous year, is not included in this limit, so it is common to see the total tax levy increase by more than 2.5% when the taxes assessed to the newly built property are added to the total taxation. Therefore, the tax levy is often "*Previous year's Levy + 2.5% + New Growth*".

Tax Rate: the tax rate* is the result of dividing the tax levy (total taxes to be collected) by the total value of real and personal property in a municipality. The number yields a decimal value, which is then expressed in dollars of taxation owed per $1,000 of value attributable to a property (ex. Tax Levy = $100 and Total Property Value = $10,000 [100/10,000 = 0.01. Multiply this by $1,000 and you have a Tax Rate of $10.00 per $1,000 of property value])**

Because each of these components vary annually, it is possible that the tax levy and tax rate may increase but your actual taxes owed may decrease (if your property value decreased since last year) or that your taxes owed may increase while the tax rate decreases (because the increase in your property's value outpaced the decrease in the tax rate).

There are times when the legislative body of a municipality determines that increasing the tax levy beyond 2.5% is necessary to meet future financial obligations. This can only be done by the passage of an **Override*****.

** The executive body of a municipality may vote to establish a* ***split tax rate*** *where the tax rate varies depending on what type (residential or commercial) of property is owned. Check out www.mass.gov/dor/local-officials/municipal-data-and-financial-management/data-bank-reports/property-tax-information.html for more.*

*** Using this example, if your house was valued at $250,000 and the Tax Rate was $10 per $1000, you would owe $2,500 in property taxes annually.*

**** The two main types of override are "Operational", which increases the levy for general operating purposes or "exclusions", which raise a specific dollar amount over the levy for a particular project or purpose, which funds can only be expended on such project or purpose.*

Town of Easton

136 Elm Street
Easton, Massachusetts 02356