



CITY OF BROCKTON

CITY COUNCIL

FISCAL YEAR 2024

TAX CLASSIFICATION HEARING

November 20, 2023

Presented by: The Board of Assessors

QUICK REFERENCES

Average Single-Family Tax Contiguous Communities	p. 10
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Decision to be made under Classification

1. RESIDENTIAL FACTOR

REQUIRED TO CHOOSE

A policy decision is needed to determine the percentage of the tax levy which the Residential, Open Space, Commercial, Industrial and Personal Property classes will bear. A Minimum Residential Factor, Open Space, Commercial, Industrial and Personal Property to as much as 175% of what they would pay at the 100% valuation of properties.

2. RESIDENTIAL EXEMPTION

OPTIONAL (YES OR NO)

A policy decision is needed concerning the allowance of up to a 35% residential exemption. The maximum exemption which may be applied to each principle residence is 35% of the average assessed value of the residential class. Adopting a residential exemption increases the residential rate. The amount of the tax levy paid by the class remains the same, but because of the exempted valuation, it is distributed over less assessed homes. **Brockton has not adopted this previously. This option is typically adopted by resort communities with seasonal rentals, or large cities with many non-owner-occupied properties i.e. apartments and second homes. Previously it has been chosen by 15 out of 351 communities, such as Boston, Brookline, Watertown, Cambridge, Somerville, Everett, Nantucket, Tisbury, Barnstable, Provincetown, Wellfleet, etc.**

3. SMALL COMMERCIAL EXEMPTION

OPTIONAL (YES OR NO)

A policy decision is needed regarding the small commercial exemption. A small commercial business exemption is an option that can reduce commercial valuation by up to 10 %. However, adopting a small commercial exemption increases the commercial and industrial tax rates. **Brockton has not adopted this previously. This has been previously adopted by 10 out of 351 communities.**

What is the purpose of this hearing?

The purpose of this hearing is to establish the proportion of the tax levy raised by the residential and commercial class of property. This hearing is required under Massachusetts General Laws, Chapter 40, Section 56

What is the Assessor's role in the budget process?

The Assessors' play only a limited role in determining the amount of taxes raised each year, by establishing the amount needed to be reserved for abatements and exemptions in the overlay. In the spring the Mayor presents the City Budget to the City Council, which then conducts budget hearings and approves or reduces recommended appropriations. These decisions determined if the property tax collected for fiscal year 2024 would be higher or lower than the property tax collected for fiscal year 2023.

The Assessors also determine the amount of new growth in property taxation each year. This is done by inspecting all new construction projects and inspecting existing properties with renovations to determine the increase in property value due to the construction and/or renovations. The new growth values proposed are approved by the Massachusetts Commissioner of Revenue.

The Assessors determine the value, based on use, of all taxable property in the City. These assessed values represent the value of the property as of January 1, 2023 for fiscal year 2024. These assessed values determine the proportion of the tax levy that each property owner will pay, if all properties were taxed at a single, uniform rate. The City Council will ultimately determine if instead, whether a proportion of the total levy will be shifted (or not) from residential property owners to commercial, industrial and personal property owners.

What does it mean to adopt the residential factor?

This is the purpose of the classification hearing. The City Council will decide how much of the tax levy the owners of residential properties will pay and how much of the tax levy the owners of commercial, industrial and personal property will pay. This decision is what creates two tax rates (or split tax rates) in the City of Brockton. Note: If there was NO shift there would be a single tax rate and the following would apply:

Class	FY2024 value	% Value	% Tax
Residential	\$ 10,796,202,032	85.67%	85.67%
Commercial	\$ 1,179,003,602	9.36%	9.36%
Industrial	\$ 240,934,740	1.91%	1.91%
Personal	\$ 385,353,070	3.06%	3.06%
Total	\$12,601,493,444	100%	100%

This means the residential property make up 85.67% of the overall city value and therefore would pay 85.67% of the overall tax levy. The commercial property makes up 9.36% of the overall value in the city and therefore would pay 9.36% of the overall tax levy and so on for industrial and personal property classes.

The Classification Hearing is when the City Council must decide on whether or not to shift more of the tax levy onto the commercial/industrial/personal property owners and less onto the residential property owners. By law, the maximum allowable shift for Brockton is 175% (Note: City Council shifted 175% for fiscal year 2023). In the event City Council decides to shift 175% again this year, the process would be to multiply the (% value) of the commercial, industrial and personal property classes by 175% (1.75) to determine the increased percentage of the tax levy that those various classes will pay. By increasing those percentages, the residential percentage is lowered by 11.26%.

Class	FY2023 value	% Value	Shift	% Tax
Residential	\$ 9,595,963,298	85.67%	-	74.92%
Commercial	\$ 1,067,887,956	9.36%	175%	16.38%
Industrial	\$ 218,082,840	1.91%	175%	3.34%
Personal	\$ 339,246,800	3.06%	175%	5.36%
Total	\$11,221,180,414	100%		100%

Put another way, once the factor of 175% (1.75) is applied to commercial, industrial and personal property, those classes then become responsible for 25.08% of the tax levy. That number is then subtracted from 100% to arrive at the residential proportion of 74.92% of the tax levy.

So, if the City Council decides to shift 175%, the owners of commercial, industrial and personal property, which represents 14.33% of the taxable value become responsible for 25.08% of the tax levy. The result of this vote is that the residential property owners, whose property represents 85.67% of the taxable value, become responsible for 74.92% of the property tax levy.

The actual vote taken is on what residential factor to adopt. These residential factors result in the intended shift from the residential on to the commercial, industrial and personal property tax payers. This is the ultimate purpose of the classification hearing.

What are the components of Proposition 2 ½?

Proposition 2 ½ has two basic components. First, you cannot increase the prior year levy limit by more than 2.5% (plus new growth) without voter approval and second, your levy limit cannot exceed 2.5% of your total taxable value. Another way of stating the second

component is a community's tax rate cannot exceed \$25.00 per \$1,000 if the community has a single tax rate.

Does the City Council have to sign something at the end of the classification hearing?

No. Typically, the City Council would sign the form LA5 but for FY 2024 a Clerk's Certification of Vote document is now required for LA-5 submission. This is the form sent to the Department of Revenue as part of the tax recapitulation (Tax Recap) sheet and approval of the tax rates established at the classification hearing. These tax rates estimated for your review may be adjusted via rounding and subject to change of typically not greater than one to two pennies.

What is "personal property"?

Personal property is the inventory, furniture, machinery, and equipment used while conducting business. This is assessed to business owners. If the business is incorporated, it is exempt from certain personal property taxes (furniture and inventory are exempt for corporations).

Commonly Used Terms

New Growth: Additions to the tax base from new construction and property improvements

Levy: Revenue raised through property taxes

Levy Limit: Maximum dollar amount a City can raise in a fiscal year.
(Prior years Levy + 2 ½%+ New Growth)

Excess Levy Capacity:

Difference between the levy and the levy limit.

CIP: Class that includes Commercial, Industrial, & Personal Property.

MRF: Minimum Residential Factor. This factor represents the minimum percentage of the levy the residential class must pay.

About the Assessment Process

How does the City determine the value of my house?

The State requires that the City establish the full and fair cash value of all real estate as of January 1st of each year. To determine Fiscal Year 2024 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2023 and December 31, 2023. Assessments represent 100% of market value as required by Massachusetts General Law.

The City of Brockton was required by the Department of Revenue to complete a Five-Year Certification for Fiscal Year 2021. Assessors must annually adjust valuations to reflect changes in the tax base. For Fiscal Year 2024 the City of Brockton completed a valuation program which is referred to as an interim year adjustment. The purpose of yearly revaluation is to distribute the tax burden in an equitable way, not to determine the amount of the tax burden. The City will be required to complete a Five-Year Certification in Fiscal Year 2026.

Assessors use what are commonly referred to as Mass Appraisal Techniques. Mass Appraisal is a widely accepted tool for the valuation of property for the purpose of taxation. Mass Appraisal relies on math and science but uses observational skills to determine value. Mass Appraisal is the process of valuing a group of properties as of a given date and using common data, standardized methods and statistical testing. To determine a parcel's value, assessors rely upon valuation equations, tables and schedules developed through mathematical analysis of market data. Values for individual properties should not be based solely on the sale price of a property; rather, valuation schedules and models should be consistently applied to property data that are correct, complete and up to date. Mass Appraisal applies the same principles as an individual appraisal, but applies these principles to groups of properties rather than an individual property. Mass Appraisal requires complete and accurate data, effective valuation models and proper management of resources.

Who verifies that the assessing model used by the City and the resulting property values are accurate?

As of each January 1st, the City of Brockton must meet Massachusetts Department of Revenue (DOR) requirements to certify that property values represent full and fair market value. The DOR performs a statistical validation of the City's property values annually, as well as performs a comprehensive review every five years. For Fiscal Year 2024, the City successfully completed the interim year adjustments. The City began our submission with the DOR on October 4th and we received our Notification of Final Certification on October 13th.

Why can't the City just lower property values to reduce tax bills?

State law requires the City to assess property at full and fair market value as of January 1st each year. However, lower property values do not necessarily result in lower tax bills. Since a fixed

amount of revenue must be raised each year through property taxes in order to fund the budget, lower overall property values would result in a higher tax rate.

What if I own a two or three-family dwelling and it has a vacant unit. Does that impact my property assessment?

No. Two and three-family homes are traditionally purchased as primary residences not as investment real estate; therefore, the comparable sales approach also known as market data is the most appropriate method to value the property. The Comparable Sales Approach looks at the market comparable sales in the surrounding area to help determine value, while considering the other components that come into play like, effective age of the property or characteristics of the property.

What if I disagree with my assessment?

You may file an application for abatement with the Assessing Department. The issuance of the third quarter bill (actual) triggers the time limit for the abatement process. If a taxpayer has a dispute with their property's valuation or questions the description of their property, the taxpayer should file an abatement application. The Board of Assessors will require an inspection of the property as part of the abatement application. The abatement application must be filed in the Assessor's Office no later than February 1st or have a United States Postal Service postmark of no later than February 1st. You may obtain an application in the Assessing Department or by downloading the form from the City's website, <https://brockton.ma.us/city-departments/assessors/>.

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
HISTORICAL TAX RATES**

<u>FISCAL YEAR</u>		<u>RESIDENTIAL</u>		<u>COMMERCIAL</u>
2003		\$12.64		\$25.78
2004		\$11.51		\$22.94
2005		\$10.62		\$21.40
2006		\$9.54		\$18.89
2007		\$9.39		\$18.48
2008		\$9.60		\$19.34
2009		\$11.10		\$22.84
2010		\$13.77		\$28.24
2011		\$15.29		\$29.55
2012		\$16.14		\$29.96
2013		\$16.88		\$31.91
2014		\$18.13		\$33.96
2015		\$18.15		\$33.88
2016		\$17.36		\$32.02
2017		\$16.10		\$32.94
2018		\$16.06		\$33.23
2019		\$15.54		\$32.67
2020		\$15.15		\$30.41
2021		\$14.50		\$29.64
2022		\$13.97		\$28.18
2023		\$12.98		\$26.02

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
COMMERCIAL TAX RATES**

FY 2019 FY 2020 FY 2021 FY 2022 FY 2023

BROCKTON	\$31.67	\$30.41	\$29.64	\$28.18	\$26.02
STOUGHTON	\$26.73	\$25.59	\$25.49	\$24.20	\$22.63
RANDOLPH	\$29.01	\$29.08	\$28.54	\$26.35	\$23.36
TAUNTON	\$34.24	\$33.28	\$28.97	\$28.87	\$26.30
WEYMOUTH	\$19.05	\$18.70	\$18.39	\$18.36	\$16.50
BRAINTREE	\$22.20	\$21.81	\$21.84	\$21.63	\$21.18
QUINCY	\$25.18	\$24.84	\$24.22	\$23.86	\$22.18
FALL RIVER	\$31.36	\$30.61	\$29.70	\$27.03	\$25.76
NEW BEDFORD	\$34.84	\$33.59	\$29.72	\$33.51	\$29.88
AVON	\$34.33	\$33.42	\$31.60	\$29.93	\$27.00
W BRIDGEWATER	\$27.65	\$28.46	\$27.68	\$29.06	\$27.69

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING**

**FY 2023 Average Single Family Tax Bill
Contiguous Communities**

	<u>Single Family Values</u>	<u>Single Family Parcels</u>	<u>FY22 AVERAGE TAX BILL</u>	<u>INCREASE</u>	<u>FY23 RESIDENTIAL RATE</u>	<u>FY23 AVERAGE TAX BILL</u>	<u>AVERAGE TAX BILL RANK</u>	<u>SF Tax Bill As % of Value</u>	<u>DOR Income Per Capita</u>	<u>Avg Tax Bill as a % of Income</u>
BROCKTON	\$6,525,430,300	16,757	\$4,767	\$288	\$12.98	\$5,055	237	1.30%	21,719	23.27%
ABINGTON	\$191,522,600	3,856	\$6,910	\$166	\$14.21	\$7,076	119	1.42%	37,848	18.70%
AVON	\$576,140,100	1,294	\$6,193	-\$129	\$13.62	\$6,064	169	1.36%	36,559	16.59%
EAST BRIDGEWATER	\$1,822,008,600	3,860	\$6,562	\$259	\$9.76	\$6,821	128	1.45%	37,748	18.07%
EASTON	\$3,283,422,000	5,760	\$7,886	\$431	\$14.59	\$8,317	76	1.46%	53,526	15.54%
HOLBROOK	\$1,348,273,000	3,217	\$6,015	\$431	\$15.38	\$6,446	152	1.54%	32,685	19.72%
STOUGHTON	\$3,182,045,600	6,706	\$6,171	\$259	\$13.55	\$6,430	154	1.36%	35,657	18.03%
WEST BRIDGEWATER	\$914,597,400	2,136	\$6,199	\$382	\$15.37	\$6,581	143	1.54%	37,722	17.45%
WHITMAN	\$1,430,221,700	3,401	\$5,596	\$111	\$13.57	\$5,707	189	1.36%	34,792	16.40%
AND OTHERS										
RANDOLPH	\$3,413,444,598	7,246	\$5,501	\$190	\$12.08	\$5,691	191	1.21%	29,645	19.20%
QUINCY	\$8,240,145,386	13,679	\$6,510	\$195	\$11.13	\$6,705	136	1.11%	36,763	18.24%
TAUNTON	\$4,199,169,099	10,892	\$4,420	\$226	\$12.05	\$4,646	262	1.21%	27,015	17.02%
FALL RIVER	\$3,075,893,900	9,378	\$3,584	\$440	\$12.27	\$4,024	314	1.23%	18,669	21.55%
NEW BEDFORD	\$3,907,580,400	12,593	\$4,055	\$379	\$14.29	\$4,434	285	1.43%	18,858	23.51%

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING**

**ASSESSMENT/
CLASSIFICATION REPORT**

as of January 1, 2023

PROPERTY TYPE	PclCnt	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PERSONAL
101	16,782	\$ 7,217,846,200			
102	2,123	\$ 481,611,300			
Misc,103,109,140	61	\$ 39,218,700			
104	2,051	\$ 1,208,014,100			
105	1,506	\$ 1,033,770,300			
111-125	413	\$ 703,955,315			
130-32,106	1,216	\$ 58,286,700			
200-231	-				
300-393	1,428		\$ 1,142,592,592		
400-452	267			\$ 240,934,740	
Chap 61	-				
Chap 61A	15		\$ 92,852		
Chap 61B	6		\$ 1,628,275		
012-043	122	\$ 53,499,417	\$ 34,689,883		
501	651				\$ 22,792,360
502	906				\$ 59,365,790
503	-				
504,550-2	4				\$ 254,133,350
505	8				\$ 24,429,000
506	1				\$ 16,734,300
508	5				\$ 7,071,550
550	1				\$ 826,720
Sub-Total	27,566	\$ 10,796,202,032	\$ 1,179,003,602	\$ 240,934,740	\$ 385,353,070
Real & Personal		\$ 12,601,493,444			
Exempt Value	1126	\$ 1,852,155,300			

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
TOP 5 LIABILITY WITH UTILITY**

	Owner of Record 1/1/2023	PERSONAL PROP ASSESSED VALUE	PERSONAL PROP LIABILITY
1	EVERSOURCE GAS	\$ 150,698,870.00	\$ 3,921,184.60
2	MASS ELECTRIC	\$ 87,833,230.00	\$ 2,285,420.64
3	VERIZON	\$ 23,599,600.00	\$ 614,061.59
4	SPECTRA ENERGY/ALGONQUIN GAS	\$ 16,734,300.00	\$ 435,434.29
5	COMCAST	\$ 15,379,390.00	\$ 400,171.73

TOTAL PERSONAL PROPERTY ASSESSED VALUE \$ 294,245,390.00

TOTAL PERSONAL PROPERTY TAX LIABILITY \$ 7,656,272.85

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
TOP 10 TAX PAYERS**

	Owner of Record 1/1/2023	RE TAX LIABILITY	PERONAL PROP LIABILITY	TOTAL TAX LIABILITY
1	EVERSOURCE	\$ 307,566.81	\$ 3,921,184.60	\$ 4,228,751.41
2	MASS ELECTRIC & BOSTON EDISON	\$ 402,479.96	\$ 2,285,420.64	\$ 2,687,900.60
3	MPT BROCKTON STEWARD	\$ 1,705,683.86		\$ 1,705,683.86
4	HAJAAR CHARLES	\$ 929,414.37		\$ 929,414.37
5	BEACON CHATHAM/ PINE GROVE	\$ 901,036.55		\$ 901,036.55
6	VERIZON	\$ 254,262.24	\$ 614,061.59	\$ 868,323.83
7	NEW WESTGATE	\$ 649,737.61		\$ 649,737.61
8	HARBOR ONE CREDIT UNION	\$ 516,421.54		\$ 516,421.54
9	ACADIA CRESCENT PLAZA	\$ 515,849.10		\$ 515,849.10
10	HAMILTON OAKS	\$ 514,078.09		\$ 514,078.09

TOTAL REAL ESTATE LIABILITY \$ 6,696,530.13

TOTAL PERSONAL PROPERTY \$ 6,820,666.83

TOTAL TAX LIABILITY \$ 13,517,196.96

CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
PROPERTY VALUES BY CLASS

Residential Property Class

Property Type	Parcel Count	Assessment Value	Percent of Value
Single Family	16,782	\$7,217,846,200	57.28%
Condominium	2,123	\$481,611,300	3.82%
Miscellaneous	61	\$39,218,700	.31%
Two-Family	2,051	\$1,208,014,100	9.59%
Three Family	1,506	\$1,033,770,300	8.20%
Apartments	413	\$703,955,315	5.59%
Vacant Land	1,216	\$58,286,700	.46%
Mixed Use Residential	122	\$53,499,417	.42%
Total Residential	24,274	\$10,796,202,032	85.67%

Commercial/Industrial/Personal Property Class

Property Type	Parcel Count	Assessment Value	Percent of Value
Commercial	1,428	\$1,142,592,592	9.08%
Industrial	267	\$240,934,740	1.92%
Ch 61A (Agriculture)	15	\$92,852	
Ch 61B (Golf Courses)	6	\$1,628,275	.01%
Mixed Use Commercial		\$34,689,883	.28%
Personal Prop (501)	651	\$22,792,360	.18%
Personal Prop (502)	906	\$59,365,790	.47%
Personal Prop (504-508)	18	\$295,296,650	2.35%
Personal Prop (550)	1	\$826,720	
Total C/I/P	3292	\$1,805,291,412	14.33%

Total Value: \$12,601,493,444

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING**

TOTAL TAXABLE VALUE

YEAR	TOTAL VALUE	PCT. CHANGE
2010	\$5,868,201,889.00	-18.20%
2011	\$5,629,195,195.00	-4.07%
2012	\$5,634,634,091.00	0.10%
2013	\$5,486,239,872.00	-2.63%
2014	\$5,362,178,891.00	2.26%
2015	\$5,462,968,131.00	1.88%
2016	\$6,104,303,935.00	11.74%
2017	\$6,688,597,389.00	9.57%
2018	\$7,172,980,786.00	7.24%
2019	\$7,843,495,461.00	9.35%
2020	\$8,426,282,008.00	7.43%
2021	\$9,153,271,727.00	8.63%
2022	\$9,968,596,510.00	8.90%
2023	\$11,221,180,414.00	12.56%
2024	\$12,601,493,444	12.30%

FY 2024 New Growth

CATEGORY	NEW GROWTH VALUATION	TAX LEVY GROWTH
Residential	\$54,240,458	\$704,041
Commercial	\$7,193,436	\$187,173
Industrial	\$824,100	\$21,443
Personal Property	\$50,424,180	\$1,312,037
Total All Classes	\$112,682,174	\$2,224,694

Levy Limit
Fiscal Year 2024

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2023 LEVY LIMIT

A. FY 2022 Levy Limit	160,629,125	
A1. Amended FY 2022 Growth	0	
B. ADD (IA + IA1)*2.5%	4,015,728	
C. ADD FY 2023 New Growth	2,204,294	
C1. ADD FY 2023 New Growth Adjustment	0	
D. ADD FY 2023 Override	0	
E. FY 2023 Subtotal	166,849,147	
F. FY 2023 Levy Ceiling	280,529,510	I. 166,849,147
		FY 2023 Levy Limit

II. TO CALCULATE THE FY 2024 LEVY LIMIT

A. FY 2023 Levy Limit from I	166,849,147	
A1. Amended FY 2023 Growth	0	
B. ADD (IIA + IIA1)*2.5%	4,171,229	
C. ADD FY 2024 New Growth	2,224,694	
C1. ADD FY 2024 New Growth Adjustment	0	
D. ADD FY 2024 Override	0	
E. ADD FY 2024 Subtotal	173,245,070	
F. FY 2024 Levy Ceiling	315,037,336	II. 173,245,070
		FY 2024 Levy Limit

III. TO CALCULATE THE FY 2024 MAXIMUM ALLOWABLE LEVY

A. FY 2024 Levy Limit from II.	173,245,070
B. FY 2024 Debt Exclusion(s)	0
C. FY 2024 Capital Expenditure Exclusion(s)	0
D. FY 2024 Stabilization Fund Override	0
E. FY 2024 Other Adjustment :	0
F. FY 2024 Water/Sewer	0
G. FY 2024 Maximum Allowable Levy	173,245,070

Signatures

No signatures to display.

Documents

No documents have been uploaded.

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
TAX BASE ANALYSIS**

<u>FISCAL YEAR</u>	<u>PREVIOUS LEVY LIMIT</u>	<u>2.5% INCREASE</u>	<u>NEW GROWTH</u>	<u>NEW LEVY LIMIT</u>	<u>ACTUAL LEVY</u>	<u>UNUSED LEVY</u>
2005	\$80,110,256	\$2,002,756	\$1,056,783	\$83,169,795	\$83,169,795	\$0
2006	\$83,169,795	\$2,079,245	\$992,388	\$86,241,428	\$86,241,428	\$0
2007	\$86,241,428	\$2,156,036	\$1,162,450	\$89,559,914	\$89,559,914	\$0
2008	\$89,559,914	\$2,238,998	\$977,609	\$92,776,521	\$92,776,521	\$0
2009	\$92,776,521	\$2,319,413	\$1,347,083	\$96,443,017	\$96,443,017	\$0
2010	\$96,443,017	\$2,411,075	\$1,010,677	\$99,864,769	\$99,864,769	\$0
2011	\$99,864,769	\$2,496,619	\$980,659	\$103,342,047	\$103,342,047	\$0
2012	\$103,342,047	\$2,583,551	\$2,336,369	\$108,261,967	\$108,261,967	\$0
2013	\$108,261,967	\$2,706,549	\$1,537,658	\$112,506,174	\$112,506,174	\$0
2014	\$112,506,174	\$2,812,654	\$1,425,808	\$116,744,636	\$116,744,636	\$0
2015	\$116,744,636	\$2,918,616	\$1,416,742	\$121,079,995	\$118,661,379	\$2,418,618
2016	\$121,079,995	\$3,027,000	\$2,938,438	\$127,045,434	\$124,534,892	\$2,510,542
2017	\$127,045,434	\$3,176,136	\$2,259,383	\$132,480,953	\$129,575,166	\$2,905,427
2018	\$132,480,953	\$3,312,024	\$2,066,974	\$137,859,951	\$137,859,951	\$0
2019	\$137,859,951	\$3,446,499	\$2,368,313	\$143,674,763	\$143,674,763	\$0
2020	\$143,674,763	\$3,591,869	\$1,769,849	\$149,036,481	\$149,036,481	\$0
2021	\$149,036,481	\$3,725,912	\$2,331,089	\$155,093,482	\$155,093,482	\$0
2022	\$155,093,482	\$3,877,337	\$1,658,306	\$160,629,125	\$160,629,125	\$0
2023	\$160,629,125	\$4,015,728	\$2,204,294	\$166,849,147	\$166,849,147	\$0
2024	166,849,147	\$4,171,229	\$2,224,694	\$173,245,070	\$173,245,070	\$0

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
PERCENT CHANGES**

Fiscal Year 2023-2024

<i>Property Class</i>	<i>FY23</i>	<i>FY24</i>	<i>% CHANGE</i>
Residential	\$9,595,963,298	\$10,796,202,032	12.51
Commercial	\$1,034,731,892	\$1,142,592,592	10.42
Industrial	\$218,082,840	\$240,934,740	10.48
Personal Property	\$339,246,320	\$385,353,070	13.59
Total:	\$11,221,180,414	\$12,601,493,444	12.30

Fiscal Year 2023-2024 percent change by Property Type

<i>Property Type</i>	<i>FY23</i>	<i>FY24</i>	<i>% Change</i>
(101) Single Family	\$6,525,430,300	\$7,217,846,200	10.61
(102) Condominium	\$419,485,700	\$481,611,300	14.81
(104) Two Family	\$1,032,687,700	\$1,208,014,100	16.98
(105) Three Family	\$899,148,800	\$1,033,770,300	14.97
(111-125) Apartment	\$591,625,448	\$703,955,315	18.99
300's Commercial	\$1,034,731,892	\$1,142,592,592	10.42
400's Industrial	\$218,082,840	\$240,934,740	10.48

Percentage increase by Class

<i>Property Type</i>	<i>FY20</i>	<i>FY21</i>	<i>FY22</i>	<i>FY23</i>	<i>FY24</i>
(101) Single Family	7.80%	6.78%	10.00%	14.22%	10.61%
(102) Condominium	11.70%	9.79%	7.50%	12.66%	14.81%
(104) Two Family	4.10%	19.96%	12.10%	11.11%	16.98%
(105) Three Family	6.60%	17.14%	11.10%	12.70%	14.97%
(111-125) Apartment	20.70%	7.91%	12.80%	9.39%	18.99%
300's Commercial	3.00%	2.13%	0.84%	7.48%	10.42%
400's Industrial	5.50%	8.10%	3.86%	14.04%	10.48%

MassDOR - Massachusetts Department of Revenue									
Division of Local Services									
LA4 Comparison Report for FY 2024									
Brockton - 044									
Property Type	Description	FY 2023 Parcel Count	FY 2023 Assessed Value	FY 2024 Parcel Count	FY 2024 Assessed Value	Parcel Diff	Parcel % Diff	Assessed Value Diff	Assessed Value % Diff
101	Single Family	16,757	6,525,430,300	16,782	7,217,846,200	25	0.1%	692,415,900	10.6%
102	Condominiums	2,117	419,485,700	2,123	481,611,300	6	0.3%	62,125,600	14.8%
MISC 103,109	Miscellaneous Residential	63	38,624,300	61	39,218,700	-2	-3.2%	594,400	1.5%
104	Two - Family	2,048	1,032,687,700	2,051	1,208,014,100	3	0.1%	175,326,400	17.0%
105	Three - Family	1,508	899,148,800	1,506	1,033,770,300	-2	-0.1%	134,621,500	15.0%
111-125	Apartment	411	591,625,448	413	703,955,315	2	0.5%	112,329,867	19.0%
130-32,106	Vacant / Accessory Land	1,219	45,651,830	1,216	58,286,700	-3	-0.2%	12,634,870	27.7%
300-393	Commercial	1,438	1,034,731,892	1,428	1,142,592,592	-10	-0.7%	107,860,700	10.4%
400-442	Industrial	268	218,082,840	267	240,934,740	-1	-0.4%	22,851,900	10.5%
CH 61 LAND	Forest	0	0	15	92,852	15	100.0%	92,852	100.0%
CH 61A LAND	Agriculture	15	85,614	0	0	-15	-100.0%	-85,614	-100.0%
CH 61B LAND	Recreational	8	1,912,450	6	1,628,275	-2	-25.0%	-284,175	-14.9%
012-043	Multi-use - Residential	122	43,309,220	122	53,499,417	0		10,190,197	23.5%
012-043	Multi-use - Commercial	0	31,158,000	0	34,689,883	0		3,531,883	11.3%
501	Individuals / Partnerships / Associations / Trusts / LLC	656	23,233,870	651	22,792,360	-5	-0.8%	-441,510	-1.9%
502	Corporations	927	65,491,440	906	59,365,790	-21	-2.3%	-6,125,650	-9.4%
504	Public Utilities	4	209,037,100	4	254,133,350	0		45,096,250	21.6%
505	Centrally Valued Telephone	8	17,066,500	8	24,429,000	0		7,362,500	43.1%
506	Centrally Valued Pipelines	1	16,621,800	1	16,734,300	0		112,500	0.7%
508	Wireless Telephone	10	6,968,890	5	7,071,550	-5	-50.0%	102,660	1.5%
550-552	Electric Generating Plant	1	826,720	1	826,720	0		0	
900-990	Exempt Property	1,126	1,659,077,800	1,126	1,852,155,300	0		193,077,500	11.6%
Total Class 1	TOTAL RESIDENTIAL	24,245	9,595,963,298	24,274	10,796,202,032	29	0.1%	1,200,238,734	12.5%
Total Class 3	TOTAL COMMERCIAL	1,461	1,067,887,956	1,449	1,179,003,602	-12	-0.8%	111,115,646	10.4%
Total Class 4	TOTAL INDUSTRIAL	268	218,082,840	267	240,934,740	-1	-0.4%	22,851,900	10.5%
Total Class 5	TOTAL PERSONAL PROPERTY	1,607	339,246,320	1,576	385,353,070	-31	-1.9%	46,106,750	13.6%
Total Taxable	TOTAL REAL & PERSONAL	27,581	11,221,180,414	27,566	12,601,493,444	-15	-0.1%	1,380,313,030	12.3%

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING**

SHIFT FACTOR AND AVERAGE RESIDENTIAL AND COMMERCIAL CHANGES

<u>FISCAL YEAR</u>	<u>SHIFT FACTOR</u>	<u>AVG. SINGLE FAM. CHANGE</u>	<u>AVG. COM CHANGE</u>
2000	1.37	\$21.56	\$107.53
2001	1.50	\$131.23	\$156.28
2002	1.67	\$99.81	\$213.59
2003	1.70	\$136.26	-\$203.52
2004	1.70	\$151.90	-\$471.52
2005	1.72	\$98.70	\$406.37
2006	1.70	\$94.22	\$69.25
2007	1.70	\$84.28	\$357.15
2008	1.70	-\$80.48	-\$166.89
2009	1.70	-\$22.43	\$321.80
2010	1.66	\$51.97	\$969.47
2011	1.61	\$227.98	-\$23.00
2012	1.56	\$150.58	\$172.03
2013	1.57	-\$3.59	\$451.81
2014	1.56	\$137.73	\$393.92
2015	1.56	\$37.87	\$59.14
2016	1.57	\$228.60	-\$321.70
2017	1.70	\$100.48	\$371.70
2018	1.73	\$300.00	\$723.45
2019	1.73	\$285.96	-\$346.43
2020	1.72	\$209.58	\$166.09
2021	1.75	\$93.00	-\$428.23
2022	1.75	\$267.00	-\$821.55
2023	1.75	\$283.96	-\$131.00

CLASS	Percent of Value	FY 2023 Tax Shift CHOSEN	Percent of Tax
Residential	85.52		74.65
Commercial	9.52	175	16.66
Industrial	1.94	175	3.40
Personal	3.02	175	5.29
	100.00		100.00

CLASS	Percent of Value	FY 2024 Tax Shift WHAT IF	Percent of Tax
Residential	85.67		75.49
Commercial	9.36	171	16.01
Industrial	1.91	171	3.27
Personal	3.06	171	5.23
	100.00		100.00

Residential	85.67		75.35
Commercial	9.36	172	16.10
Industrial	1.91	172	3.29
Personal	3.06	172	5.26
	100.00		100.00

Residential	85.67		75.22
Commercial	9.36	173	16.19
Industrial	1.91	173	3.30
Personal	3.06	173	5.29
	100.00		100.00

Residential	85.67		75.07
Commercial	9.36	174	16.29
Industrial	1.91	174	3.32
Personal	3.06	174	5.32
	100.00		100.00

Residential	85.67		74.92
Commercial	9.36	175	16.38
Industrial	1.91	175	3.34
Personal	3.06	175	5.36
	100.00		100.00

MassDOR - Massachusetts Department of Revenue									
Division of Local Services									
What If ... Scenario Worksheet for FY 2024									
Brockton - 044									
CLASS	VALUE	%		CLASSIFICATION OPTIONS					
				RESIDENTIAL/SENIOR MEANS TESTED			SMALL COMMERCIAL EXEMPTION		
Residential	10,796,202,032	85.6740	R & O %	Res # of Eligible Parcels	0.000000		# of Eligible Parcels	0	
Open Space	0	0.0000	85.6740	Res Parcel Count	0		Total Value of Eligible Parcels	0	
Commercial	1,179,003,602	9.3561		Res Exemption %	0.0000		Comm Exemption %	0.0000	
Industrial	240,934,740	1.9119	C I P %	Res Value Exempted	0		Total C & I Value Net of Exemption	1,419,938,342	
Personal Property	385,353,070	3.0580	14.3260	Senior # Eligible Parcels	0				
Total	12,601,493,444	100.0000		Senior Value Exempted	0				
				Total Res Value Net of Exemption	10,796,202,032				
ENTER A LEVY (ESTIMATED IF NECESSARY)				ENTER CIP SHIFT RANGE					
Levy	173,245,070			Shift Range	1.65	1.75			
Single TaxRate	13.75			Shift Increment %		1.00			
				Max Shift Allowed		1.75			
Note: This table should be used for planning purposes only. Actual calculations may differ slightly due to rounding. For actual calculations, complete Recap.									

Share Percentages						Levy Amounts						Estimated Tax Rates			
CIP Shift	Res Factor	Res SP	Comm SP	Ind SP	PP SP	Total SP	Res LA	Comm LA	Ind LA	PP LA	Total LA	Res ET	Comm ET	Ind ET	PP ET
1.6500	0.8913	76.3621	15.4376	3.1546	5.0457	100.0000	132,293,558	26,744,820	5,465,250	8,741,426	173,245,055	12.25	22.68	22.68	22.68
1.6600	0.8896	76.2188	15.5311	3.1738	5.0763	100.0000	132,045,367	26,906,910	5,498,372	8,794,405	173,245,055	12.23	22.82	22.82	22.82
1.6700	0.8880	76.0756	15.6247	3.1929	5.1069	100.0000	131,797,176	27,069,000	5,531,495	8,847,383	173,245,054	12.21	22.96	22.96	22.96
1.6800	0.8863	75.9323	15.7182	3.2120	5.1374	100.0000	131,548,985	27,231,090	5,564,618	8,900,362	173,245,054	12.18	23.10	23.10	23.10
1.6900	0.8846	75.7891	15.8118	3.2311	5.1680	100.0000	131,300,794	27,393,180	5,597,741	8,953,340	173,245,054	12.16	23.23	23.23	23.23
1.7000	0.8829	75.6458	15.9054	3.2502	5.1986	100.0000	131,052,603	27,555,269	5,630,863	9,006,318	173,245,054	12.14	23.37	23.37	23.37
1.7100	0.8813	75.5025	15.9989	3.2693	5.2292	100.0000	130,804,412	27,717,359	5,663,986	9,059,297	173,245,053	12.12	23.51	23.51	23.51
1.7200	0.8796	75.3593	16.0925	3.2885	5.2598	100.0000	130,556,221	27,879,449	5,697,109	9,112,275	173,245,053	12.09	23.65	23.65	23.65
1.7300	0.8779	75.2160	16.1861	3.3076	5.2903	100.0000	130,308,029	28,041,539	5,730,231	9,165,253	173,245,053	12.07	23.78	23.78	23.78
1.7400	0.8763	75.0727	16.2796	3.3267	5.3209	100.0000	130,059,838	28,203,629	5,763,354	9,218,232	173,245,053	12.05	23.92	23.92	23.92
1.7500	0.8746	74.9295	16.3732	3.3458	5.3515	100.0000	129,811,647	28,365,718	5,796,477	9,271,210	173,245,052	12.02	24.06	24.06	24.06

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING**

IMPACT CALCULATIONS ON VARIOUS PROPERTY CLASSES USING AVERAGE AND MEDIAN VALUES

<u>AVERAGES</u>	<u>SINGLE FAMILY</u>	<u>TWO FAMILY</u>	<u>THREE FAMILY</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>
FY 2023 Values	\$389,415.00	\$504,242.00	\$596,253.00	\$719,563.00	\$813,742.00
FY 2023 Tax Rate	\$12.98	\$12.98	\$12.98	\$26.02	\$26.02
FY 2023 Tax Bill	\$5,054.60	\$6,545.06	\$7,739.36	\$18,723.03	\$21,173.57
FY 2024 Values	\$430,095.00	\$588,988.00	\$686,434.00	\$800,135.00	\$902,377.00

Shift Percent	Tax Dollars	Tax Dollars	Tax Dollars	Tax Dollars	Tax Dollars	Res.	Comm.
<u>Selected</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Three Family</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Tax Rate</u>	<u>Tax Rate</u>
100%	\$859.21	\$1,553.53	\$1,170.55	-\$7,721.17	-\$8,765.89	\$13.75	\$13.75
165%	\$214.06	\$670.04	\$669.46	-\$592.30	-\$707.66	\$12.25	\$22.68
166%	\$205.46	\$658.26	\$655.73	-\$463.95	-\$581.33	\$12.23	\$22.82
167%	\$196.86	\$646.48	\$642.00	-\$351.93	-\$454.99	\$12.21	\$22.96
168%	\$183.96	\$628.81	\$621.41	-\$239.91	-\$328.66	\$12.18	\$23.10
169%	\$175.36	\$617.03	\$607.68	-\$135.89	-\$211.35	\$12.16	\$23.23
170%	\$166.75	\$605.25	\$593.95	-\$23.88	-\$85.02	\$12.14	\$23.37
171%	\$145.25	\$593.47	\$580.22	\$88.14	\$41.31	\$12.12	\$23.51
172%	\$145.25	\$575.80	\$559.63	\$200.16	\$167.65	\$12.09	\$23.65
173%	\$136.65	\$564.03	\$545.90	\$304.18	\$284.96	\$12.07	\$23.78
174%	\$128.04	\$552.25	\$532.17	\$416.20	\$411.29	\$12.05	\$23.92
175%	\$115.74	\$534.58	\$511.58	\$528.22	\$537.62	\$12.02	\$24.06

**CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING**

IMPACT CALCULATIONS ON VARIOUS PROPERTY CLASSES USING AVERAGE AND MEDIAN VALUES

<u>MEDIANS</u>	<u>SINGLE FAMILY</u>	<u>TWO FAMILY</u>	<u>THREE FAMILY</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>
FY 2023 Value	\$375,400.00	\$492,550.00	\$599,150.00	\$292,300.00	\$313,650.00
FY 2023 Tax Rate	\$12.98	\$12.98	\$12.98	\$26.02	\$26.02
FY 2023 Tax Bill	\$4,872.69	\$6,393.30	\$7,776.97	\$7,605.65	\$8,161.17
FY 2024 Value	\$414,000.00	\$585,700.00	\$681,150.00	\$333,400.00	\$346,200.00

<u>Shift Percent Selected</u>	<u>Tax Dollars Single Family</u>	<u>Tax Dollars Two Family</u>	<u>Tax Dollars Three Family</u>	<u>Tax Dollars Commercial</u>	<u>Tax Dollars Industrial</u>	<u>Res. Tax Rate</u>	<u>Comm. Tax Rate</u>
100%	\$819.81	\$1,660.08	\$1,760.16	-\$3,021.40	-\$3,400.92	\$13.75	\$13.75
165%	\$199.81	\$781.53	\$567.12	-\$44.14	-\$309.35	\$12.25	\$22.68
166%	\$190.53	\$769.81	\$553.49	\$2.54	\$294.63	\$12.23	\$22.82
167%	\$182.25	\$758.10	\$539.87	\$49.21	-\$212.42	\$12.21	\$22.96
168%	\$169.83	\$740.53	\$519.44	\$95.89	-\$163.95	\$12.18	\$23.10
169%	\$161.55	\$728.81	\$505.81	\$139.23	-\$118.94	\$12.16	\$23.23
170%	\$153.27	\$717.10	\$492.19	\$185.91	-\$70.48	\$12.14	\$23.37
171%	\$144.99	\$705.38	\$478.57	\$232.58	-\$22.01	\$12.12	\$23.51
172%	\$132.57	\$687.81	\$458.13	\$279.26	\$26.46	\$12.09	\$23.65
173%	\$124.29	\$676.10	\$444.51	\$322.60	\$71.47	\$12.07	\$23.78
174%	\$116.01	\$664.39	\$430.89	\$369.28	\$119.93	\$12.05	\$23.92
175%	\$103.59	\$646.81	\$410.45	\$415.95	\$168.40	\$12.02	\$24.06

CITY OF BROCKTON
FISCAL YEAR 2024
CLASSIFICATION HEARING
HISTORICAL LEVY AMOUNTS AND LEVY LIMITS

<u>FISCAL YEAR</u>	<u>LEVY</u>	<u>INCREASE</u>	<u>PERCENT</u>	<u>RES.</u> <u>SHARE</u>	<u>COMM.</u> <u>SHARE</u>
2000	\$68,233,483.00	\$2,389,206.00	3.5%	63.90%	36.1%
2001	\$70,513,340.00	\$2,279,857.00	3.2%	64.60%	35.4%
2002	\$73,993,881.00	\$3,480,541.00	4.7%	65.10%	34.90%
2003	\$77,162,855.00	\$3,168,974.00	4.1%	67.40%	32.60%
2004	\$80,110,256.00	\$2,947,401.00	3.7%	70.50%	29.50%
2005	\$83,169,795.00	\$3,059,539.00	3.7%	71.00%	29.00%
2006	\$86,241,428.00	\$3,071,633.00	3.6%	71.40%	28.60%
2007	\$89,559,914.00	\$3,318,486.00	3.7%	72.30%	27.70%
2008	\$92,776,521.00	\$3,216,607.00	3.5%	69.04%	30.96%
2009	\$96,443,017.00	\$3,666,496.00	3.8%	66.20%	33.80%
2010	\$99,864,769.00	\$3,421,782.00	3.4%	62.81%	37.19%
2011	\$103,342,047.00	\$3,477,278.00	3.4%	65.37%	34.03%
2012	\$108,261,967.00	\$4,919,920.00	4.5%	65.39%	34.61%
2013	\$112,506,174.00	\$4,244,207.00	3.9%	64.03%	35.97%
2014	\$116,744,636.00	\$4,238,462.00	3.8%	64.12%	35.88%
2015	\$118,661,379.00	\$1,916,743.00	1.6%	64.60%	35.40%
2016	\$124,534,892.00	\$5,873,516.00	4.9%	67.49%	32.51%
2017	\$129,575,166.00	\$5,040,274.00	4.0%	66.93%	33.07%
2018	\$137,859,951.00	\$8,284,785.00	6.3%	68.27%	31.73%
2019	\$143,674,763.00	\$5,814,812.00	4.2%	70.30%	29.70%
2020	\$149,036,481.00	\$5,361,718.00	3.7%	71.50%	28.50%
2021	\$155,093,482.00	\$6,057,001.00	4.0%	71.84%	28.16%
2022	\$160,629,125.00	\$5,535,643.00	3.6%	73.74%	26.26%
2023	\$166,849,147.00	\$6,220,022.00	3.9%	74.65%	25.35%
2024	\$173,245,070.00	\$6,395,923.00	3.8%		

LEVY LIMITS: A PRIMER ON PROPOSITION 2 ½



DLS

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

Introduction

The Division of Local Services has developed this primer to guide local officials through the mechanics of Proposition 2½. Proposition 2½ revolutionized property tax administration and is a fundamental feature of the Massachusetts municipal fiscal landscape. Yet there is still some confusion about its meaning for cities and towns, particularly because the law is complex and has undergone a number of changes since Proposition 2½ was enacted in 1980.

The purpose of this primer is to explain, as simply as possible, the basic provisions of Proposition 2½. We focus in particular on those aspects of the law that we have found to cause the most confusion, for example: the ways in which Proposition 2½ limits the property tax, how the levy limit is calculated, how an override differs from a debt exclusion or capital outlay expenditure exclusion, and how new growth works.

With the help of this primer, a local official should be able to understand the fundamentals of Proposition 2½. However, this primer is not intended as a substitute for legal guidance on a community's options and obligations under the law. If you have any questions, please refer to the Resources section included in this primer and contact the Division of Local Services for assistance and information.

We hope this primer will help you grasp the basic concepts of Proposition 2½ and act on behalf of your community with a better understanding of the law. We welcome questions and comments on this publication.

What is a Levy?

The property tax levy is the revenue a community can raise through real and personal property taxes. We will refer to the property tax levy simply as the **levy**. 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. The property tax levy is the largest source of revenue for most cities and towns.

What is a Levy Ceiling? What is a Levy Limit?

Proposition 2½ 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 2½ established two types of levy limits:

First, a community cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property in the community. In this primer we will refer to the full and fair cash value limit as the **levy ceiling**.

Second, a community's levy is also constrained in that it can only increase by a certain amount from year to year. We will refer to the maximum amount a community can levy in a given year as the **levy limit**. The levy limit will always be below, or at most, equal to the levy ceiling. The levy limit may not exceed the levy ceiling.

Proposition 2½ does provide communities with some flexibility. It is possible for a community to levy above its levy limit or its levy ceiling on a temporary basis, as well as to increase its levy limit on a permanent basis. These options are discussed in more detail in other sections of this primer. The concepts of levy ceiling and levy limit are illustrated in *Figure 1*.

How is a Levy Ceiling Calculated?

The levy ceiling is determined by calculating 2.5 percent of the total full and fair cash value of taxable real and personal property in the community:

Full and Fair Cash Value x 2.5% = LEVY CEILING

Full and Fair Cash Value = \$100,000,000

\$100,000,000 x 2.5% = \$2,500,000

In this example, the levy ceiling is \$2,500,000.

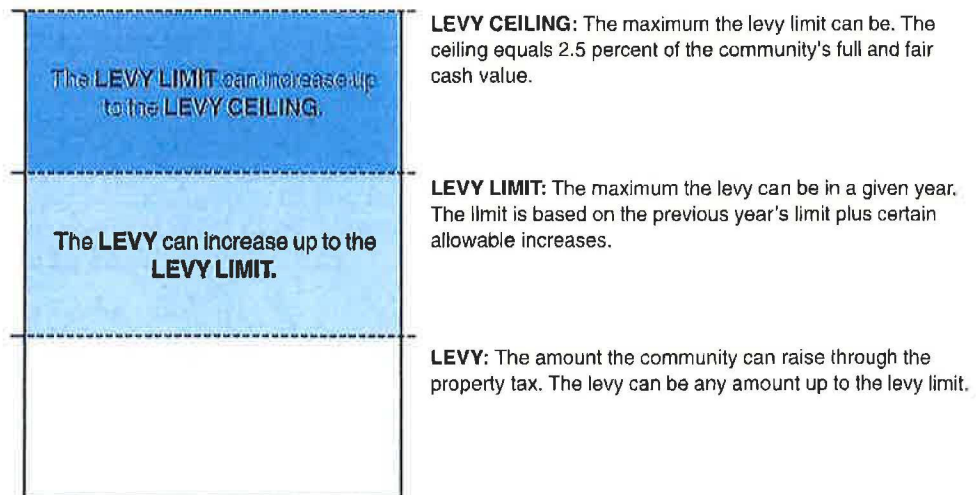


Figure 1

How is a Levy Ceiling Changed?

The total full and fair cash value of taxable real and personal property in a community usually changes each year as properties are added or removed from the tax roll and market values increase or decrease. This also changes the levy ceiling. See *Figure 2*.

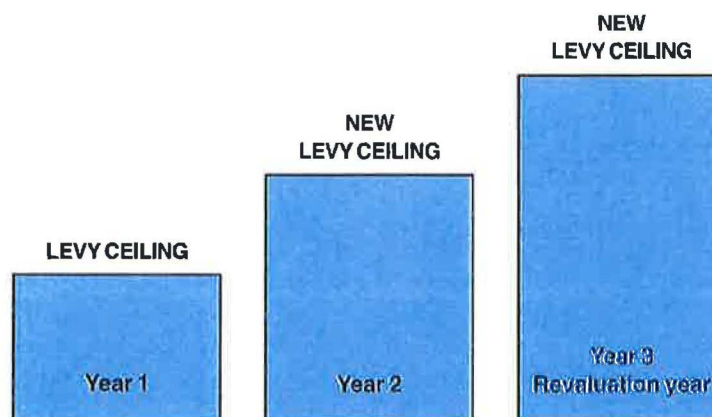


Figure 2

How is a Levy Limit Calculated?

A levy limit for each community is calculated annually by the Department of Revenue. It is important to note that a community's levy limit is based on the previous year's levy limit and not on the previous year's actual levy.

Each step in the example below is detailed in other sections of this primer. A levy limit is calculated by:

Taking the previous year's levy limit and increasing it by 2.5%:	
A. FY2007 Levy Limit	\$1,000,000
B. (A) x 2.5%	+ \$25,000
Adding to the levy limit amounts of certified new growth added to the community's property tax base:	
C. FY2008 New Growth	+ \$15,000
Adding to the levy limit amounts authorized by override votes:	
D. FY2008 Override	+ \$100,000
E. FY2008 Subtotal (A+B+C+D)	= \$1,140,000
Comparing the FY2008 levy limit to the FY2008 levy ceiling and applying the lesser number (compare E and F):	
F. FY2008 Levy Ceiling	\$2,500,000
\$1,140,000	
Applicable FY2008 Levy Limit (Lesser of E and F)	

This community's levy limit, the maximum amount in real and personal property taxes it can levy, is \$1,140,000 for FY2008. How much of this amount the community actually wants to use — that is, the amount of the levy — is up to the discretion of local officials. The community can levy up to or at any level below the entire levy limit amount, regardless of what its levy was in the previous year. Levy increases are discussed on page 13.

How is a Levy Limit Increased?

The levy limit is increased from year to year as long as it remains below the levy ceiling. Permanent increases in the levy limit result from the following:

Automatic 2.5 percent increase. Each year, a community's levy limit automatically increases by 2.5 percent over the previous year's levy limit. This does not require any action on the part of local officials; the Department of Revenue calculates this increase automatically.

New Growth. A community is able to increase its levy limit each year to reflect new growth in the tax base. Assessors are required to submit information on growth in the tax base for approval by the Department of Revenue as part of the tax rate setting process. New growth is discussed on page 8.

Overrides. A community can permanently increase its levy limit by successfully voting an override. The amount of the override becomes a permanent part of the levy limit base. Overrides are discussed on page 9.

Please note: Debt exclusions, capital outlay expenditure exclusions and overrides are all often referred to as "overrides" and enable a community either to permanently increase its levy limit or temporarily levy above its levy limit or levy ceiling. This primer makes a distinction between an override and a debt or capital outlay expenditure exclusion, because there is a significant difference in the impact of each on a community's levy limit. An override enables a community to permanently increase its levy limit, while an exclusion only allows for a temporary increase in taxes over a community's levy limit. Overrides, debt exclusions and capital outlay expenditure exclusions are discussed in greater detail in other sections of this primer.

In summary, the levy limit can increase from year to year in these ways: automatic 2.5 percent increase, new growth and overrides. Once the levy limit is increased in any of these ways, the increased levy limit amount becomes the base upon which levy limits are calculated for future years. See *Figure 3*.

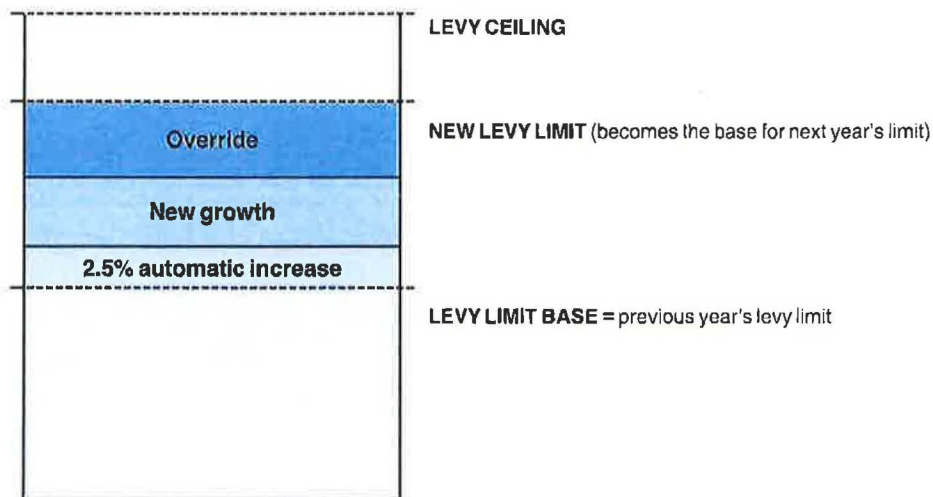


Figure 3

How Can a Community Levy Taxes in Excess of its Levy Limit or Levy Ceiling?

A community can assess taxes in excess of its levy limit or levy ceiling by successfully voting a debt exclusion or capital outlay expenditure exclusion. The amount of the exclusion does not become a permanent part of the levy limit base, but allows a community to assess taxes for a certain period of time in excess of its levy limit or levy ceiling for the payment of certain debt service costs or for the payment of certain capital outlay expenditures. See *Figures 4a and 4b*.

In *Figure 4a* the debt exclusion or capital outlay expenditure exclusion gives the community temporary additional taxing capacity over and above its levy limit, but below its levy ceiling.

In *Figure 4b* the debt exclusion or capital outlay expenditure exclusion gives the community temporary additional taxing capacity that is over and above not only its levy limit, but also its levy ceiling.

For more information on debt exclusions and capital outlay expenditure exclusions, see page 10.

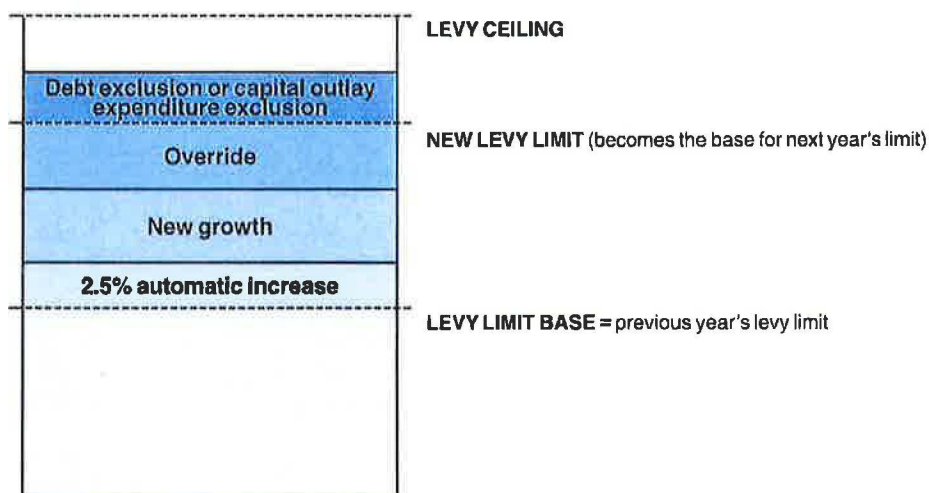


Figure 4a

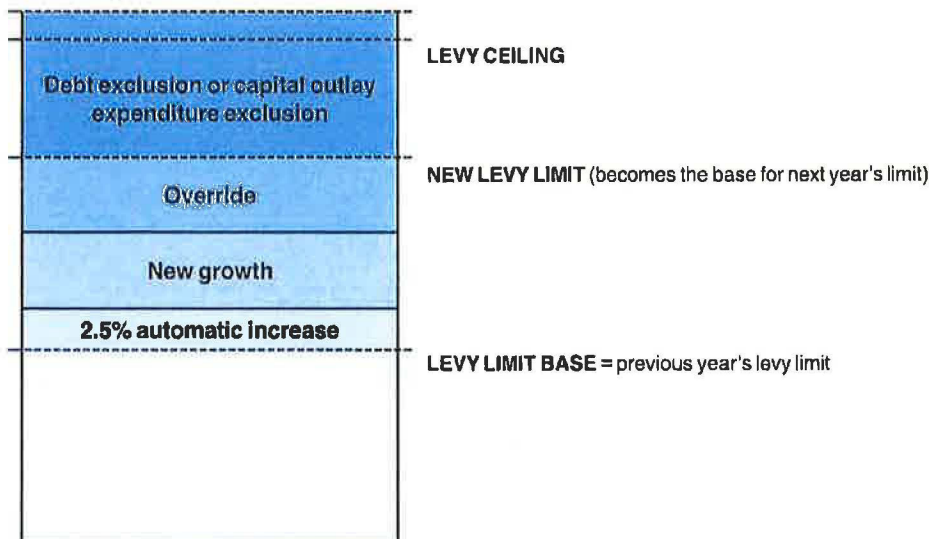


Figure 4b

What is New Growth?

Proposition 2½ allows a community to increase its levy limit annually by an amount based on the increased value of new development and other growth in the tax base that is **not** the result of revaluation. The purpose of this provision is to recognize that new development results in additional municipal costs; for instance, the construction of a new housing development may result in increased school enrollment, public safety costs, and so on. New growth under this provision includes:

- Properties that have increased in assessed valuation since the prior year because of development or other changes.
- Exempt real property returned to the tax roll and new personal property.
- New subdivision parcels and condominium conversions.

New growth is calculated by multiplying the increase in the assessed valuation of qualifying property by the prior year's tax rate for the appropriate class of property. **Any increase in property valuation due to revaluation is not included in the calculation.**

Below we highlight how new growth is calculated:

$$\begin{aligned} &\text{Increases in Assessed Valuation} \\ &\times \text{Prior Year's Tax Rate for Particular Class of Property} \\ &= \text{New Growth Addition to Levy Limit} \end{aligned}$$

For example, for a community that applies the same tax rate to all classes of property:

$$\begin{aligned} &\text{Increases in Assessed Valuation} = \$1,000,000 \\ &\text{Prior Year's Tax Rate} = \$15.00/1000 \\ &\$1,000,000 \times (\$15.00/1000) = \$15,000 \\ &\text{New Growth Addition to Levy Limit} = \$15,000 \end{aligned}$$

Below we highlight where the addition of new growth occurs in the calculation of the levy limit:

Taking the previous year's levy limit and increasing it by 2.5%:		
A. FY2007 Levy Limit		\$1,000,000
B. (A) x 2.5%	+	\$25,000
Adding to the levy limit amounts of certified new growth added to the community's property tax base:		
C. FY2008 New Growth	+	\$15,000
Adding to the levy limit amounts authorized by override votes:		
D. FY2008 Override	+	\$100,000
E. FY2008 Subtotal (A+B+C+D)	=	\$1,140,000
Comparing the FY2008 levy limit to the FY2008 levy ceiling and applying the lesser number (compare E and F):		
F. FY2008 Levy Ceiling		\$2,500,000
		\$1,140,000
Applicable FY2008 Levy Limit (Lesser of E and F)		

New growth becomes part of the levy limit base, and thus increases at the rate of 2.5 percent each year as the levy limit increases. Reporting of new growth provides a community with an opportunity to increase its levy limit, which can provide for added budget flexibility in the future. Boards of Assessors are required to report new growth each year as a part of setting the tax rate.

What is an Override?

Proposition 2½ allows a community to assess taxes in excess of the automatic annual 2.5 percent increase and any increase due to new growth by passing an **override**. A community may take this action as long as it is below its levy ceiling, or 2.5 percent of full and fair cash value. An override cannot increase a community's levy limit above the level of the community's levy ceiling.

When an override is passed, the levy limit for the year is calculated by including the amount of the override. The override results in a permanent increase in the levy limit of a community, which as part of the levy limit base, increases at the rate of 2.5 percent each year.

A majority vote of a community's selectmen, or town or city council (with the mayor's approval if required by law) allows an override question to be placed on the ballot. Override questions must be presented in dollar terms and must specify the purpose of the override. Overrides require a majority vote of approval by the electorate.

Below we highlight where the amount of an override is added in the calculation of the levy limit:

Taking the previous year's levy limit and increasing it by 2.5%:		
A. FY2007 Levy Limit		\$1,000,000
B. (A) x 2.5%	+	\$25,000
Adding to the levy limit amounts of certified new growth added to the community's property tax base:		
C. FY2008 New Growth	+	\$15,000
Adding to the levy limit amounts authorized by override votes:		
D. FY2008 Override	+	\$100,000
E. FY2008 Subtotal (A + B + C + D)	=	\$1,140,000
Comparing the FY2008 levy limit to the FY2008 levy ceiling and applying the lesser number (compare E and F):		
F. FY2008 Levy Ceiling		\$2,500,000
		\$1,140,000
Applicable FY2008 Levy Limit (Lesser of E and F)		

The community can levy up to its levy limit of \$1,140,000 in FY2008.

What is a Debt Exclusion? What is a Capital Outlay Expenditure Exclusion?

Proposition 2½ allows a community to raise funds for certain purposes above the amount of its levy limit or levy ceiling. A community can assess taxes in excess of its levy limit or levy ceiling for the payment of certain capital projects and for the payment of specified debt service costs. An exclusion for the purpose of raising funds for debt service costs is referred to as a **debt exclusion**, and an exclusion for the purpose of raising funds for capital project costs is referred to as a **capital outlay expenditure exclusion**. Both exclusions require voter approval with very limited exceptions. These exceptions are explained on page 12.

The additional amount for the payment of debt service is added to the levy limit or levy ceiling for the life of the debt only. The additional amount for the payment of the capital project cost is added to the levy limit or levy ceiling only for the year in which the project is being undertaken. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years.

Reimbursements such as state reimbursements for school building construction are subtracted from the amount of the exclusion.

A capital outlay expenditure exclusion or debt exclusion is effective even in the rare case when the exclusion would bring the community's levy above its levy ceiling.

Both of these exclusions require a two-thirds vote of the community's selectmen, or town or city council (with the mayor's approval if required by law) in order to be presented to the voters. A majority vote of approval by the electorate is required for both types of exclusion.

Questions presented to exclude a debt obligation must state the purpose or purposes for which the monies from the debt issue will be used. Questions presented to exclude a capital outlay expenditure exclusion must state the amounts and purposes of the expenditures.

Below we highlight how exclusions are added to the levy limit:

Taking the previous year's levy limit and increasing it by 2.5%:	
A. FY2007 Levy Limit	\$ 1,000,000
B. (A) x 2.5%	+ \$25,000
Adding to the levy limit amounts of certified new growth added to the community's property tax base:	
C. FY2008 New Growth	+ \$15,000
Adding to the levy limit amounts authorized by override votes:	
D. FY2008 Override	+ \$100,000
E. FY2008 Subtotal (A+B+C+D)	= \$1,140,000
Comparing the FY2008 levy limit to the FY2008 levy ceiling and applying the lesser number (compare E and F):	
F. FY2008 Levy Ceiling	\$2,500,000
\$1,140,000	
Applicable FY2008 Levy Limit	
(Lesser of E and F)	
Calculating FY2008 levy limit with debt exclusion or capital outlay expenditure exclusion:	
H. FY2008 Levy Limit	\$ 1,140,000
I. Add FY2008 Debt Exclusion or Capital Outlay Expenditure Exclusion	+ \$50,000
\$1,190,000	
Applicable FY2008 Levy Limit with Debt Exclusion or Capital Outlay Expenditure Exclusion	

In FY2008, this community can levy up to \$1,190,000, its applicable levy limit with this debt exclusion or capital outlay expenditure exclusion.

What is a Special Exclusion?

For a few limited capital purposes, a community may assess taxes above the amount of its levy limit or levy ceiling without voter approval. Otherwise, special debt and capital outlay expenditure exclusions are like voter approved exclusions. The amount of the special exclusion is only added to the levy limit or ceiling for a temporary period of time, and does not become part of the base upon which the levy limit is calculated for future years.

One special debt exclusion allows a community to add water and sewer project debt service costs to its levy limit or levy ceiling for the life of the debt, as long as it reduces water and sewer rates by the same amount. The water and sewer debt exclusion is adopted by a majority vote of the community's selectmen, or town or city council (with the mayor's approval if required by law) and may include all or part of existing and subsequently authorized water and sewer debt or just the residential share of that debt.

Another special debt or capital outlay expenditure exclusion applies if a community has a program to assist homeowners to repair or replace faulty septic systems, remove underground fuel storage tanks or remove dangerous levels of lead paint in order to meet public health and safety code requirements. Under the program, the board of health and the homeowner agree that the board may contract with third parties to perform the work, and the homeowner will repay the community for all project costs. Homeowners may make the repayment by having a portion of the repair costs, with interest, added to their property tax bills for up to 20 years. The community may automatically add to its levy limit or levy ceiling the amount appropriated, or the amount of the debt service costs on any borrowing for the program.

What is an Underride?

Proposition 2½ allows a community to reduce its levy limit by passing an **underride**. When an underride is passed, the levy limit for the year is calculated by subtracting the amount of the underride. The underride results in a permanent decrease in the levy limit of a community because it reduces the base upon which levy limits are calculated for future years.

A majority vote of a community's selectmen, or town or city council (with the mayor's approval if required by law) allows an underride question to be placed on the ballot. An underride question may also be placed on the ballot by the people using a local initiative procedure, if one is provided by law. Underride questions must state a dollar amount and require a majority vote of approval by the electorate.

Below we highlight where the amount of an underride is subtracted in the calculation of the levy limit:

Taking the previous year's levy limit and increasing it by 2.5%:	
A. FY2007 Levy Limit	\$1,000,000
B. (A) x 2.5%	+ \$25,000
Adding to the levy limit amounts of certified new growth added to the community's property tax base:	
C. FY2008 New Growth	+ \$15,000
Subtracting from the levy limit amounts authorized by underride votes:	
D. FY2008 Underride	- \$40,000
E. FY2008 Subtotal (A+B+C-D)	= \$1,000,000
\$1,000,000	
Applicable FY2008 Levy Limit	

The community can levy up to its levy limit of \$1,000,000 in FY2008.

Levy Increases

Once a community's levy limit is established for a particular year, the community can determine what its levy will be. The community may set its levy at any amount up to the levy limit. (Or, if it has voted a debt exclusion or capital outlay expenditure exclusion, it may levy up to the levy limit plus the additional temporary capacity resulting from the exclusion.)

It is important to note that as long as a community levies no more than its levy limit, there is no restriction on the dollar increase or percentage increase in its levy from year to year. Proposition 2½ restricts increases in the levy limit, not the levy. A community is permitted to tax up to its levy limit, even if it must raise its levy by a large percentage over the previous year's levy.

For example, a community could decide to increase its levy between FY2007 and FY2008 because the people of the community feel that the town should respond to some unmet local needs. Below we highlight the community's FY2007 and FY2008 levy limits and levies:

FY2007 Levy Limit = \$1,000,000

FY2007 Levy = \$900,000

FY2008 Levy Limit = \$1,025,000

FY2008 Levy = \$1,025,000

Percentage Change In Levy Limit = 2.5%

Percentage Change In Levy = 13.8%

From FY2007 to FY2008, the community's levy limit only increases by the allowed 2.5 percent. (In this example assume the community has no new growth and has not voted an override.) The community's levy increases from the FY2007 amount of \$900,000 up to its FY2008 levy limit of \$1,025,000. This is a total dollar increase in the actual levy of \$125,000 — and a percentage increase in the actual levy of 13.8 percent. From FY2007 to FY2008, the actual levy increases by 13.8 percent while the levy limit only increases by the allowed 2.5 percent.

It is important to note that the 13.8 percent increase described here is allowable under the provisions of Proposition 2½. As long as the levy limit only increases each year by the amount allowed under Proposition 2½, the actual levy can increase or decrease within the levy limit established each year, as decided by the community. The community may increase its levy up to its new levy limit regardless of the percentage increase in the levy. This concept is illustrated in *Figure 5*.

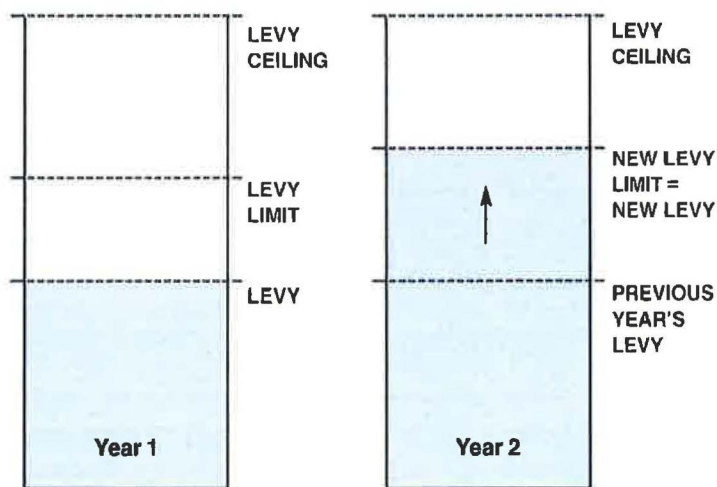


Figure 5

In Year 1, the community levies well below its levy limit.

In Year 2, the community's levy limit increases by the amount permitted under Proposition 2½. The community decides to levy all the way up to its new levy limit. The increase in the levy in Year 2 over Year 1 is indicated by the arrow. This increase is permissible under Proposition 2½.

Excess Levy Capacity

As discussed in the previous section, a community may choose to set its levy at any amount below or equal to its levy limit. When a community sets its levy below the limit, the difference between the levy and the levy limit is commonly referred to as **excess levy capacity**. This is an additional amount the community could, but chose not to, levy.

Levy Limit – Levy = Excess Levy Capacity

The concept of excess levy capacity is not a part of the Proposition 2½ law, as are the levy limit and levy ceiling. However, excess levy capacity is an important factor in municipal finance, and local officials should understand this concept.

There are two common misconceptions about excess levy capacity. The first misconception is that if a community has excess levy capacity in one year, then its ability to levy up to its levy limit in succeeding years is negatively affected. This misconception is based on the fact that Proposition 2½ limits the amount a community can increase its property taxes from year to year. Many think this means that a community cannot raise its levy all the way up to the levy limit to use all its excess capacity in just one year.

This is not true. As we have already seen, Proposition 2½ limits increases from year to year in the levy limit, not the levy. Before the tax rate is set, the full amount of the levy limit is always available to the community, **regardless** of how much of the limit the community has chosen to levy in previous years. It is within the law under Proposition 2½ for a community to have excess levy capacity in one year and, in the following year, to levy right up to the full amount of its new levy limit. This is true no matter what the percentage increase in the levy would be in order to achieve this result.

The second misconception about excess levy capacity is that a community is able to go back and "capture" excess levy capacity from a previous year. This is also not true. Once the community sets its tax rate for a given year, any revenues foregone because of excess levy capacity in that year are lost forever. This is only a one-time loss, however. In the following year, the community may levy up to its new levy limit, regardless of its levy in the previous year. See the example below:

FY2007 Levy Limit = \$1,000,000
FY2007 Levy = \$900,000
FY2007 Excess Levy Capacity = \$100,000
FY2008 Levy Limit = \$1,025,000
FY2008 Levy = \$1,025,000
FY2008 Excess Levy Capacity = \$0
Increase In Levy Limit = \$25,000
Increase In Levy = \$125,000

In FY2007, the town levies only \$900,000 of its levy limit of \$1,000,000, foregoing \$100,000 of tax revenue it could have collected. In FY2008, the town's levy limit increases by the automatic 2.5 percent allowed by Proposition 2½, or up by \$25,000 to \$1,025,000. The town decides to levy all the way up to its new levy limit, so it has no excess capacity in FY2008. Its FY2008 levy is \$125,000 higher than its FY2007 levy. The town cannot also levy an additional amount to capture the \$100,000 foregone in FY2007. In other words, it cannot levy up to \$1,125,000 for a total levy increase of \$225,000. The \$100,000 foregone in FY2007 is lost forever. This is a one-time loss, since the community can, in FY2008, levy all the way up to its new levy limit. This is highlighted in *Figure 6*.

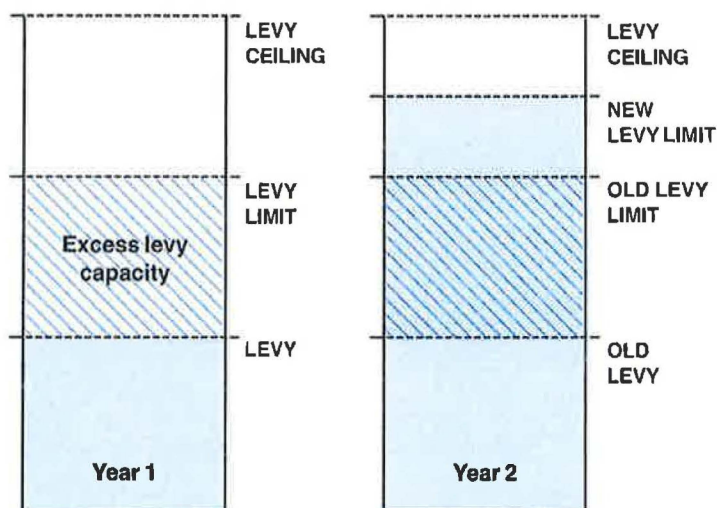


Figure 6

In Year 1, the community levies below its levy limit and as a result has excess levy capacity, represented by the area indicated.

In Year 2, the community may levy all the way up to its new levy limit. By levying up over its "old" levy limit (that is, its levy limit in Year 1), the community "uses" the excess capacity accrued in Year 1, shown by the area indicated. The community may increase its levy up to the new levy limit regardless of the percentage increase in the levy that is required to do so.

However, in Year 2 the community may not go back and recover the actual dollars of excess levy capacity foregone in Year 1 (the area indicated in the Year 1 diagram). That tax revenue is lost forever. It is only a one-time loss since the community can tax up to or above that level in Year 2.

Resources

For information on levy limits, levy ceilings, new growth and ballot questions (overrides, debt exclusions and capital outlay expenditure exclusions), contact DOR's Division of Local Services at:

- (617) 626-2300 by phone;
- (617) 626-2330 by fax; or
- the DLS website at www.mass.gov/dls.