

Inside Town Finances

Volume 4: Property Tax Bills

Overview

75% of Hingham's General Fund revenue comes from property taxes, which are paid quarterly. Here's how individual property tax bills are developed.



Step 1: Calculate the Town tax levy

The first step in developing property tax bills is to determine how much money the Town can 'levy' – or collect – in property taxes. Under Proposition 2 ½ – with few exceptions – municipalities can increase the levy by up to 2 ½% from the prior year. Exceptions include new growth, excluded debt, and the first year of an override (each of which is described in greater detail in *Volume 1: Revenue* and *Volume 3: Excluded Debt*).

Step 2: Apportion tax levy among property owners by setting tax rate

Once the Town tax levy amount is determined, the next step is to apportion it in a manner which ensures that each property owner pays their fair share. The mechanism for achieving this is to develop a tax rate based on the Town tax levy and the total assessed value of all taxable property. In MA, property tax rates are commonly expressed per \$1000 of assessed value. For Fiscal Year 2024, Hingham's tax rate is \$10.85.

Step 3: Determine individual property real estate tax bill amounts

Once the tax rate is determined, each individual property tax bill is calculated by multiplying the tax rate times the assessed value of a property divided by \$1000.

For a home assessed at \$1 million, the Fiscal Year 2024 property tax bill amount is calculated as follows:

$$\$10.85 \times (1,000,000/\$1,000) = \$10,850$$

Step 4: Add Community Preservation surcharge

The final step in computing each property tax bill is to apply the Community Preservation surcharge. In 2001, Town Meeting adopted a 1.5% surcharge (with the first \$100,000 in assessed value being exempt from this surcharge) on property tax bills to fund qualified projects for open space, historic preservation, affordable housing, and recreation. More information about Community Preservation can be found on the Town website.

Do increases in assessed values mean the Town can collect more property taxes?

No. Under MA General Laws, real estate assessed values are used to apportion the tax levy among property owners; they do not affect calculation of the Town's tax levy amount. Under MA General Laws, the tax levy can increase by 2 ½% per year regardless of whether assessed values increase or decrease.

Why do tax rates sometimes decline from one year to the next?

If the total assessed value of all parcels in Hingham rises by more than the year-over-year increase in the tax levy, the new tax rate will decline. A lower tax rate does not mean the Town is collecting fewer tax dollars or that it is not taxing to allowable limits under Proposition 2 ½; it merely reflects a relatively faster increase in assessed values.