

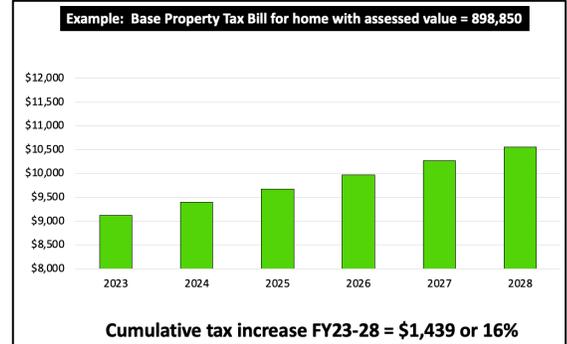
# Inside Town Finances

## Volume 5: Proposition 2 ½ and the Impact of Voter-Authorized Tax Increases

### How does a 2 ½% increase affect property tax bills over time?

Under Proposition 2 ½, municipalities have the legal right to increase the levy by up to 2 ½% from the prior year. As described in *Volume 4*, individual property tax bills are calculated by applying the tax rate to a property's assessed value. Therefore, a change in assessed value could result in a yearly tax increase for a specific property that is greater or less than 2 ½%.

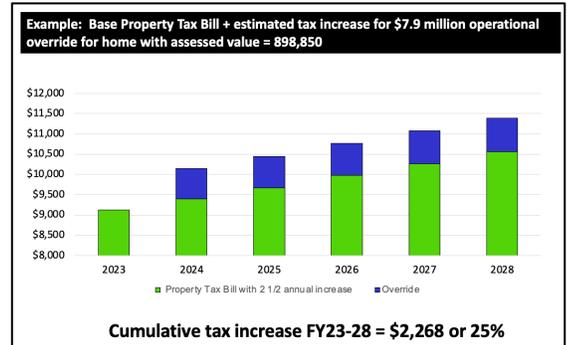
The example to the right (Source: 2023 Annual Town Meeting Warrant Page 12) shows the estimated base property tax bill for a property assessed at \$898,850 for fiscal years 2023 through 2028. This includes the increase allowed under Proposition 2 ½ plus the Community Preservation surcharge. In this example, the cumulative tax increase from Fiscal Year 2023 to Fiscal Year 2028 is \$1,439 or 16%.



### What is the impact of an operating override?

An operating override is a **permanent tax increase** – incremental to the increase allowed under Proposition 2 ½ – **that affects all property owners** to address a permanent increase in the operating budget. An operating override requires a majority vote of Town Meeting and a majority ballot vote. Once approved, an operating override becomes part of the base for calculation of future years' levy limits and, therefore, it compounds over time.

The example to the right (Source: 2023 Annual Town Meeting Warrant Page 12) shows the estimated impact of the tax increase allowed under Proposition 2 ½ plus the Fiscal Year 24 operating override (\$7.9 million) for a property assessed at \$898,850. In this example, the cumulative tax increase from Fiscal Year 2023 to Fiscal Year 2028 is \$2,268 or 25%.



### What is the impact of a debt exclusion?

A debt exclusion is a **temporary tax increase that affects all property owners** – 'excluded' from the limits of Proposition 2 ½ – that is used to pay debt service costs (principal plus interest) on money borrowed to finance a specific project. A debt exclusion requires a 2/3 vote of Town Meeting and a majority ballot vote. Once approved, Town Administration – in consultation with the Town's Financial Advisors, determine how to structure this debt (length of repayment, method of amortization).

The example to the right (Source: 2023 Annual Town Meeting Warrant Page 12) shows the impact of the tax increase allowed under Proposition 2 ½, plus the estimated impact of the Fiscal Year 24 operating override (\$7.9 million), plus the estimated tax increase for Foster School and the Public Safety Facility for a property assessed at \$898,850. In this example, the cumulative tax increase from Fiscal Year 2023 to Fiscal Year 2028 is \$2,989 or 33%.

