

Inside Town Finances

Volume 16: Debt Exclusions

What is a debt exclusion?

A debt exclusion is a **temporary** increase in property taxes that allows a municipality to borrow money for a specific capital project. This tax increase is excluded from the limits imposed by Proposition 2½, which caps how much a municipality can raise in property taxes each year. Approval of a debt exclusion requires both a 2/3 majority vote at Town Meeting and a majority ballot vote at the next Town Election. The tax increase lasts only until the borrowed funds (the debt) are fully repaid. Once the debt is paid off, the tax impact from that specific project ends. Debt exclusions allow the cost of major public investments to be shared fairly among both current and future taxpayers who benefit from the improvements.

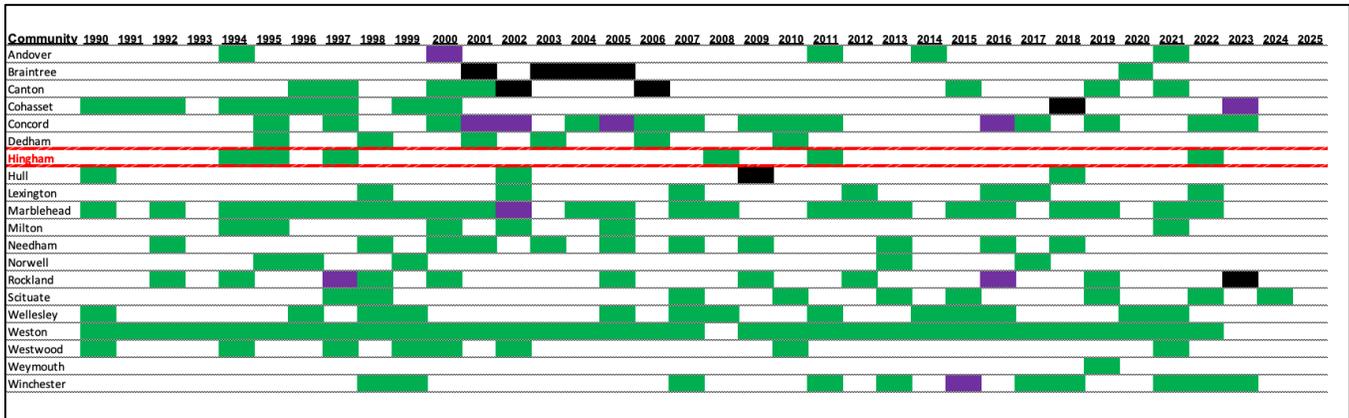
How many debt exclusions has Hingham considered?

As shown in the chart to the right, since 1990, the Town of Hingham has considered and approved ten debt exclusions to fund major capital projects. The amounts listed reflect the Town's share of the project costs and do not include state reimbursements received for school projects (Source: Massachusetts Dept. of Revenue and Town of Hingham).

Year of Vote	Pass or Fail	Description	Town Amount (\$ millions)
1994	Pass	Town Hall (formerly South Jr. High)	\$6.3
1995	Pass	Town Hall (formerly South Jr. High)	
1997	Pass	Addition and Renovations to High School and South Elementary School	\$22.6
2008	Pass	Construct and furnish East Elementary School	\$16.6
2008	Pass	Repair and Improve Plymouth River School, Foster School, purchase modular classrooms for Middle School	\$7.7
2011	Pass	Replace High School Track, repair High School tennis courts, Phase II Design to Improve High School fields	\$0.9
2011	Pass	Construct and furnish Middle School	\$34.8
2022	Pass	South Shore Country Club Pool	\$8.0
2022	Pass	Public Safety Facility	\$46.7
2022	Pass	Foster School	\$88.7

How does Hingham's debt-exclusion history compare to its benchmark communities?

The chart below shows calendar years in which Hingham and its 19 benchmark communities considered one or more debt exclusions. Green boxes indicate years in which one or more debt exclusion votes passed. Black boxes indicate years in which one or more debt exclusion votes failed. Purple boxes indicate years in which there were both debt exclusion votes that passed and failed (Source: MA Dept. of Revenue).



What is the impact of a debt exclusion on property tax bills?

The property tax impact of a debt exclusion is based on three main factors: 1) the total amount of debt to be issued, 2) the length and repayment structure of the debt, and 3) the interest rate on the borrowing. Before proposing a debt exclusion, the Town provides an estimated property tax impact based on these factors.

When do tax increases for debt exclusions take effect?

Property tax increases take effect once the debt is issued, and the Town begins making payments. For large capital projects, the full tax impact of a debt exclusion may be gradual and spread over several years since funds are usually borrowed as needed during the construction period. Additionally, some projects are initially financed with short-term debt (similar to a construction loan) which results in smaller tax increases at the start of the project.