

PROPERTY TAX LEVY CALCULATION

	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Budget	\$Change FY11-12	% Change FY11-12
Base Levy (from- Prior Year)	32,846,677	34,339,480	35,883,668	39,156,687	40,556,020	1,399,333	4.1%
2.5% Increase	821,167	858,487	897,092	978,917	1,013,900	34,983	4.1%
Override	0	0	2,000,000	0	0	0	-100%
New Growth	671,636	685,701	375,927	420,416	500,000	79,584	11.6%
Levy Limit	34,339,480	35,883,668	39,156,687	40,556,020	42,069,920	1,513,900	4.2%
ADD: Debt Exclusions:							
-JFK Middle School	348,865	310,855	267,235	225,235	163,398	(61,838)	-19.9%
- Fire Station	426,581	412,656	398,594	385,906	369,119	(16,788)	-4.1%
- High School	682,294	619,259	554,820	493,281	430,444	(62,838)	-10.1%
Subtotal Debt Excl.	1,457,740	1,342,770	1,220,649	1,104,423	962,960	(141,463)	-10.5%
Max Levy (Levy Lim- it + Debt Excl)	35,797,220	37,226,438	40,377,335	41,660,442	43,032,880	1,372,438	3.7%
LESS: Actual Tax Levy	35,768,169	37,197,371	40,366,537	41,637,003			
Excess (Unused) Levy Capacity	29,051	29,067	10,799	23,440			
Actual Tax Levy	35,768,169	37,197,371	40,366,537	41,637,003			
Levy Ceiling (2.5% of Total Valuation)	79,839,664	81,004,728	79,838,775	80,318,292			

Revaluation Year

Valuations By Class	FY2008 Valuations	FY2009 Valuations	FY2010 Valuations	FY2011 Valuations	FY2012 Valuations
Residential Prop'rt'y Val.	2,584,193,700	2,600,716,350	2,570,854,710	2,582,527,470	
Comm'cial Prop'ty Val.	445,059,900	457,643,110	451,469,400	451,435,010	
Industrial Prop'ty Val.	87,313,700	88,915,090	84,013,220	87,770,590	
Personal Prop'ty Val.	77,019,250	92,914,550	87,213,650	90,998,620	
Total Property Vals.	3,193,586,550	3,240,189,100	3,193,550,980	3,212,731,690	0
Total Assessed Val.	3,193,586,550	3,240,189,100	3,193,550,980	3,212,731,690	
\$ Change Valuation From Prior Year	410,678,684	46,602,550	(46,638,120)	19,180,710	
% Change Valuation From Prior Year	14.8%	1.5%	-1.5%	0.6%	
Tax Rate (per \$1000 of Valuation)	\$11.20	\$11.48	\$12.40	\$12.96	

PROPERTY TAX LEVY CALCULATION EXPLAINED

Prior to the passage of Proposition 2½, municipalities created their budgets by determining how much it would cost to provide the city's programs and services, and then raising the necessary funds through the tax levy. Under Proposition 2½, municipalities in Massachusetts are limited to increasing the local tax levy by no more than 2½% above the current tax levy, plus new growth, in any one year. The shift means that instead of beginning with a budget based on the programs and services the city wants to provide, the city now begins with a set amount of tax levy funding and determines what programs and services it can provide based on that amount. As an example, if the tax levy in Year One was \$1,000, and there was \$100 in new growth (new construction or additions to homes or businesses), then in Year Two, the city's tax levy could grow to no more than \$1,125.

$$\begin{aligned} & \$1,000 \text{ levy} \times 2.5\% \text{ allowed increase} = \$25 \text{ additional Year 2 tax revenue} \\ & \$1,000 \text{ prior year levy} + \$25 \text{ allowed increase} + \$100 \text{ new growth} = \$1,125 \text{ total Year 2 levy revenue} \end{aligned}$$

Debt exclusions, those Proposition 2½ overrides which allowed the city to increase property taxes for the purpose of paying for a particular project, such as the JFK Middle School or Northampton High School renovations decrease every year until they are fully paid off. This portion of residential property taxes goes down each year.

Common Misunderstandings

Proposition 2½ is a complex finance law, but its simple name has led to some frequent misunderstandings. Often, residents might think that the law means that their individual property taxes should only rise by 2½% each year under the law. In reality, it is the **city's total tax levy** that will rise by that amount each year. How that levy is apportioned among all the residential and commercial properties is through a different process, and the result is that the tax burden on some properties will increase, and others will decrease, and by varying amounts.

The city is required to revalue all property every three years. When this happens, an independent company comes in to assess the values of homes and businesses relative to each other and to the current market. They look at sales of comparable properties in the last two years to arrive at fair market values. When they are done, we have the total value of all of the properties in Northampton.

Once we have those two figures - the total value of real estate property in Northampton, and the amount of tax levy we can raise under Proposition 2½ - the city Assessors calculate what the city's Tax Rate will be in the coming year. In the current fiscal year, the tax rate is \$12.96 per \$1,000 of value in your property.

Now that we have the tax rate, we go back to the evaluations of each property in the city and calculate the tax bill for individual property owners. If your property is valued at \$100,000, your property tax bill would be $100 \times \$12.96$ or \$1,296.

If you believe your property assessment is significantly higher than its actual value on the fair market, you can apply for a tax abatement. Remember, however, that while market forces change daily, your home's value for the purposes of the tax levy is calculated on comparable sales in the past two years.

If a home is found to have been valued incorrectly and receives an abatement, those tax dollars that are abated for that one property owner are reassessed over the rest of the taxable properties in Northampton. The total of the city's property tax levy remains the same, only the distribution changes.