

Inside Town Finances Volume 1: Revenue

Sources of revenue

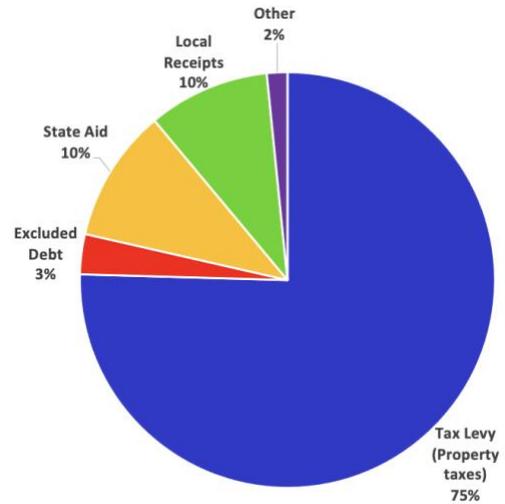
75% of the Town’s revenue comes from the **tax levy** through the collection of residential and commercial property taxes. 89% of property tax revenue comes from residential property taxes, with 11% coming from commercial property taxes. Hingham has one tax rate for both residential and commercial properties.

State aid accounts for 10% of revenues. Also called local aid, it is money that comes from the Commonwealth of MA based on revenue collections. Local aid amounts are set as part of the state budget process.

Local receipts account for 10% of revenues. Local receipts include Motor Vehicle Excise Tax, Meals Tax Revenue, and Ambulance Revenue.

Excluded debt (3% of total) includes voter authorized temporary tax increases, typically for large capital projects. The amount of excluded debt revenue is equal to the debt service payment in a given year. Nearly all of Hingham’s outstanding excluded debt is for school projects.

Other revenue (2% of total) includes payments in lieu of taxes, and one-time funding such as grant funding and federal reimbursements.



Tax Levy Calculation

Here is an example of how the tax levy is calculated using fiscal year 2020 and 2021 data for the Town.

	<u>FY20</u>	<u>FY21</u>
Tax Levy	\$79,418,112	\$82,754,141
2 ½ increase	\$ 1,985,453	\$ 2,068,854
New Growth	\$ 1,350,576	\$ 1,300,000
Override	\$ 0	\$ 0
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Total	\$82,754,141	\$86,122,995

In the example above, the total Fiscal Year 2020 Tax Levy was \$82,754,141. This is the starting point for calculating the Fiscal Year 2021 tax levy.

Under Proposition 2 ½, the levy limit can be increased in 3 ways:

1. Each year, municipalities can increase the levy by up to 2.5% as of right. For FY21, that amount is \$2,068,854.
2. Each year, the levy can be increased by the value of new construction and newly taxable parcels of land. This is referred to as New Growth. Hingham forecasts new growth based on building permit activity. For FY21, new growth is estimated to be \$1,300,000.
3. Voters can authorize an override, which is a permanent increase in the levy. Once approved, an override becomes part of the base for calculation future years’ levy limits. An override requires a majority vote of Town Meeting and a majority ballot vote. The legal authority to place a question on the ballot rests with the Board of Selectmen.