

# Inside Town Finances

## Volume 4: Property Tax Bills

### Overview

75% of Hingham's revenue comes from property taxes, which are paid quarterly. Here's how individual property tax bills are developed, along with an illustrative example and values.



### 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*).

**Calculation:**

Prior Year Tax Levy + 2 ½% increase + New Growth + Excluded Debt + Override = **Tax Levy**

**Example (no override):**

\$96,000,000 + \$2,400,000 + \$1,100,000 + \$4,000,000 + 0 = **\$103,500,000**

### Step 2: Set the Town tax rate

Once the Town determines how much money it can levy in property taxes, the next step is to apportion the levy in a manner which ensures that each property owner pays his/her fair share.

The fiscal year's tax rate is derived by dividing the tax levy from *Step 1* by the total assessed value of all the Town's taxable property multiplied by \$1000. The result is the tax rate per \$1000 of assessed value, which is how Massachusetts property tax rates are commonly expressed.

**Calculation:**

**Tax Levy** ÷ (Total assessed value of all parcels x \$1000) = **Tax rate (per \$1000)**

**Example:**

**\$103,500,000** ÷ (\$10,000,000,000 x \$1000) = **\$10.35 (per \$1000 of assessed value)**

### Step 3: Determine individual real estate property tax bill amounts

**Real estate assessed values are used to apportion the tax levy among property owners; assessed values do not affect calculation of the Town's tax levy amount.**

Each individual property tax bill is calculated by multiplying the tax rate from *Step 2* times the assessed value of a property divided by \$1000.

**Calculation:**

**Tax rate (per \$1000)** x (Property assessed value ÷ \$1000) = **Property Tax Bill**

**Example (\$1,000,000 assessed value home):**

**\$10.35** x (\$1,000,000 ÷ \$1000) = **\$10,350**

### 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.

**Calculation:**

**Property Tax Bill** + Surcharge = **Total Tax Bill**

**Example:**

**\$10,350** + 139.73 = **\$10,489.73**

### 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.