

WB,  
4-23-12

## How The Town Budget relates to your Property Taxes

If you are reading this paper before the first weekend in May, you are, no doubt, excitedly awaiting town meeting. This is the time when we voters approve the town budget of approximately three million dollars. Around 85% of this budget will be funded by real and personal property taxes. The other 15% will come from state unrestricted appropriations, auto excise taxes, and fees such as disposal area, building permits etc. Since the big issue facing most voters is the property tax, I've prepared the following charts comparing, for the last five years, our neighboring town's tax rates on residential property, total amount of property value to apply the tax rate to, and most importantly the amount of the budget covered by the residential tax levy or burden on tax payers.

The tax rate is very misunderstood. It can't be established until after the voters approve a budget for the next year and the books are closed on June 30 so the beginning financial position can be determined. There are two primary factors determining the tax rate, the total value of taxable property and the amount that has to be raised by property taxes after other revenues have been identified. Both factors could change dramatically for example the state, the largest acreage owner in town, is tax exempt, but they recognize this is a burden on towns like ours so they make payments in lieu of taxes (PILOT.) Since the state doesn't have to do this, during tough economic times the amount could be slashed causing the taxpaying property owners to make up the difference. This single revenue stream covers about 8% of our budget!

Once the amount to be raised is agreed upon, the assessors must determine, with state oversight, the value of the taxable property. The assessors just finished our tri-annual re-evaluation. The process involves hours of negotiations with the state to explain for example why our property values are slightly rising while other areas of the state are declining. How the assessors determine the assessed value is really another article topic. The changes are generally calculated from recent property sales and new construction but there are many other factors as well.

The tables show this relationship between tax rate and taxable property clearly. Notice that New Marlborough's tax rate has increased 38.5% over five years and its property values have dropped 8.1%. Additionally the amount funded by residential taxes has increased dramatically by 24.7%. In New Marlborough's case, both factors have increased the tax rate, declining amount of property value to tax and increasing amount of budget paid by the property tax. Great Barrington has no change in taxable property so its' tax rate increase of 16.2% correlates to the increase in residential taxes needed to fund its' budget of 15.2%.

Financially, Monterey looks to be doing things really well; lowest tax rate, moderately increasing taxable property, residential taxes required to fund the budget increasing at less than the rate of inflation for the past five years. Good job VOTERS! Good job FINANCE COMMITTEE! Good Job SELECT BOARD! Good job ASSESSORS! Have a happy town meeting!

#### Post Mortem

The data used here is publicly available at [MASS.gov/DOR/](http://MASS.gov/DOR/). Then click on the following options: local officials, municipal data bank, data bank reports, property tax information. Each town sets its own priorities for spending on services valued by that town. For example Egremont has a town owned water department but Monterey has a private water company not affiliated with the town government. The real issue is not the services provided but how well the costs have been controlled over time.

If you multiply the tax rate of \$5.27 times the taxable property of \$500 million you won't get the amount levied on residential property. Some of the taxable property is non-residential. Also other factors are involved such as state required funds set aside to cover unpaid taxes, changes to individual property values due to errors or negotiations called abatements, and reductions in tax bills for elderly, disabled veterans, etc.

<b>RESIDENTIAL TAX RATES</b>	<b>2008</b>	<b>2012</b>	<b>% CHG</b>
New Marlborough	\$6.46	\$8.77	35.8%
Sandisfield	\$8.25	\$10.10	22.4%
Great Barrington	\$11.28	\$13.12	16.3%
Lee	\$11.76	\$13.67	16.2%
Sheffield	\$11.74	\$12.84	9.4%
Otis	\$6.20	\$6.78	9.4%
Tyringham	\$5.52	\$6.00	8.7%
Monterey	\$5.10	\$5.27	3.3%

<b>TOTAL TAXABLE PROPERTY IN \$Millions</b>	<b>2008</b>	<b>2012</b>	<b>% CHG</b>
Otis	\$545	\$621	13.9%
Sheffield	\$563	\$623	10.7%
Monterey	\$467	\$500	7.1%
Sandisfield	\$230	\$235	2.2%
Great Barrington	\$1,351	\$1,351	0.0%
Tyringham	\$184	\$184	0.0%
Lee	\$886	\$880	-0.7%
New Marlborough	\$496	\$456	-8.1%

<b>TAXES LEVIED ON RESIDENTIAL PROPERTY IN \$Thousands</b>	<b>2008</b>	<b>2012</b>	<b>% CHG</b>
Sandisfield	\$1,743	\$2,184	25.3%
New Marlborough	\$3,018	\$3,764	24.7%
Otis	\$3,178	\$3,954	24.4%
Sheffield	\$5,777	\$6,909	19.6%
Lee	\$7,226	\$8,452	17.0%
Great Barrington	\$12,201	\$14,050	15.2%
Monterey	\$2,298	\$2,542	10.6%
Tyringham	\$959	\$1,047	9.2%