

# PROPOSITION 2 1/2

## 1. How does Proposition 2 1/2 limit Property Tax?

Proposition 2 1/2 contains two limitations on the amount of property tax a city or town can raise:

- The property tax ceiling (the amount raised) can never exceed 2 1/2 percent of the full cash value of all taxable property in the city or town.

<b><u>Example:</u></b>	Total Value FY-09	\$4,819,890,565
	Proposition 2.5	<u>0.025</u>
	Tax Levy Ceiling	\$ 120,497,264

- The property tax levy limit cannot increase from year to year by more than 2 1/2 percent with certain exceptions for new growth, or through over rides and exclusions as adopted by the voters.

<b><u>Example:</u></b>	FY-08 Levy Limit was	\$72,957,348
	Times 2 1/2 %	\$1,823,934
	FY-09 Growth	<u>\$2,714,298</u>
	FY-09 Total Levy Limit	\$77,495,580
	FY-09 Actual Levy	<u>\$75,217,111</u>
	FY-09 Excess Capacity.	\$ 2,278,469

## 2. How does Propositions 2 1/2 affect my individual bill?

The levy limit provisions of proposition 2 1/2 affects the total amount of taxes to be raised by a city or town. It does not apply to an individual tax bill.

## 3. What is Classification? How does it work with Proposition 2 1/2?

The voters adopted the Classification Amendment to the Massachusetts Constitution in 1978. It allowed cities and town to categorize real estate and personal property into five classes-Residential, Open Space, Commercial, Industrial and Personal Property – and to tax these classes at different tax rates.

Proposition 2 1/2 affects the total amount of tax that can be raise. Classification affects which classes of taxpayers will pay what specific share of the total amount of tax.

### **Example :**

FY-09 Single Rate	\$15.61	Levy Share	100.00%
CIP Shift 1.660%	\$25.90	C.I.P. Share	59.18%
Res. Shift .635%	\$9.90	Res. Share	40.82%