

Property Tax Rates and Tax Levy

PROPERTY TAX RATES

Three factors determine the property tax rate.

1. The property tax levy.
2. The total assessed value of the community.
3. Classification.

PROPERTY TAX LEVY

The tax levy is the amount of money to be raised by the property tax. Each year the amount to be raised must be determined in accordance with Proposition 2 ½. This is computed by taking the total of the previous year's tax levy increased by 2 ½ percent, plus overrides, exclusions, and growth. Increases due to growth are based on the increased value of new developments, additions, renovations and other growth in the tax base that is not the result of an increase in value due to market forces. An example of other growth would be a formerly tax exempt property which becomes taxable. The purpose of this provision is to recognize that new development results in additional municipal costs.

A debt exclusion is that amount of money needed to pay the principal and interest on debt incurred for special projects approved by referendum for exclusion from Proposition 2 ½ limits.

DETERMINING THE TAX RATE

The tax rate is calculated by dividing the total amount to be raised by the total assessed of all property divided by 1,000.

Tax rate=Tax Levy (or net amount to be raised)/Total Assessed Value/1000

This rate is expressed in terms of dollars per 1,000. For example if a house is assessed for \$250,000 and the tax rate is \$6.20, the tax bill would be computed as follows:

$$\$6.20 \times (\$250,000/1000) = \$1,550.00$$

Otis does not use a split tax rate, which means some of the tax burden is shifted from residential to commercial property. The Town chooses not to shift the rate because the commercial segment comprises less than 5% of our total valuation and any shift of tax burden from residential class would be detrimental to their existence.

Generally, if values are rising, the tax rates will drop; conversely if values drop, the tax rates will rise.

The amount to be raised through taxation is determined by Town Meeting and the provisions of Proposition 2 ½. The tax shift, the tax rate, and the residential exemption are voted on every year by the Board of Selectmen.