



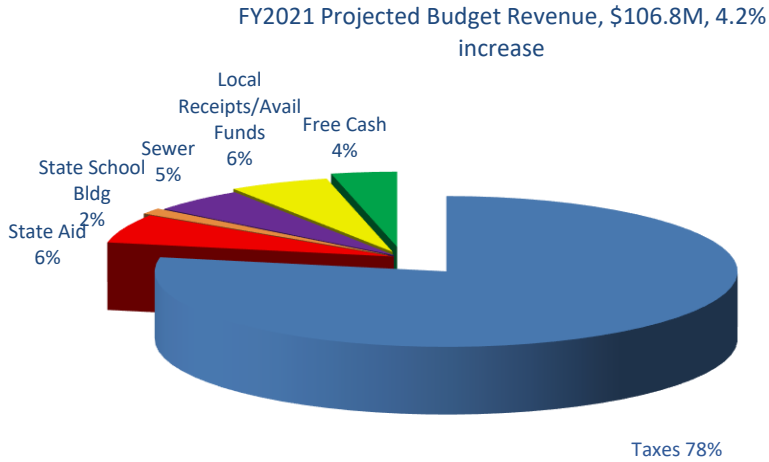
# Proposition 2 ½ / Tax Bill Review

Finance and Warrant Commission  
October 19, 2020

# The Town's main revenue source is property tax revenue. In Massachusetts, tax revenue is governed by Proposition 2 ½

## What is Proposition 2 ½?

- Limits the property taxes a community can charge.
- Total taxes can increase:
  - 2.5 %
  - New growth.
- A town may choose to “override” these limits.
  - Placed on the ballot by a vote of the Select Board
  - Must be passed by a majority of voters.



There are Different types of Overrides

## General Override

- Additional funds for any purpose.
- Permanently increases levy limit.

## Debt Exemption

- Pay for capital projects.
- Annual debt service added to tax levy.
- Not permanent, when bond ends, taxes end.

Detailed history of Town's override activity is included in the Budget Summary book and ATM Warrant book.

Proposition 2 ½ controls the total taxes a Town can raise. It does not apply to an individual tax bill.

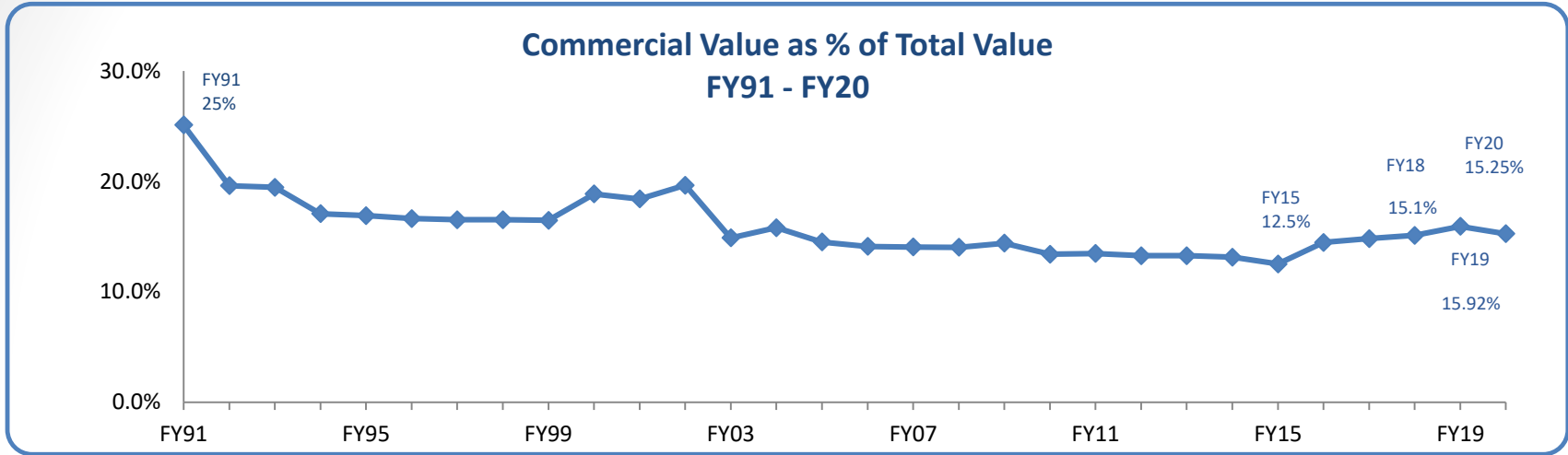
# Tax Revenue Calculation per Prop 2 1/2

Tax Levy Calculation	FY2017	FY2018	FY2019	FY2020	Budget FY2021	
Prior Year Levy Limit	\$66,435,457	\$70,367,740	\$73,558,364	\$76,623,854	\$79,703,916	
Plus 2.5% Increase	\$1,660,886	\$1,759,194	\$1,838,959	\$1,915,596	\$1,992,598	Plus 2.5%
Plus New Growth	\$1,099,667	\$1,252,430	\$950,531	\$661,466	\$450,000	New growth
New Tax Levy - University Station	\$1,171,730	\$179,000	\$276,000	\$503,000	\$200,000	Uni Station growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$70,367,740</b>	<b>\$73,558,364</b>	<b>\$76,623,854</b>	<b>\$79,703,916</b>	<b>\$82,346,514</b>	
<b>Exempt Debt</b>	<b>\$1,642,706</b>	<b>\$1,523,690</b>	<b>\$1,429,505</b>	<b>\$1,320,986</b>	<b>\$1,217,416</b>	Exempt Debt
<b>Levy Capacity</b>	<b>\$72,010,446</b>	<b>\$75,082,054</b>	<b>\$78,053,359</b>	<b>\$81,024,902</b>	<b>\$83,563,930</b>	What we could tax
Actual Levy Assessed	\$70,500,803	\$74,005,710	\$76,955,697	\$80,224,068	\$83,336,647	What we actually tax
Excess Levy(Taxes not raised )	\$1,509,643	\$1,076,344	\$1,097,662	\$800,834	\$227,283	Unused tax levy

- The Town has not taxed to maximum capacity
- No general override since 2007
- Exempt debt declines each year, High School bond ends in 2023

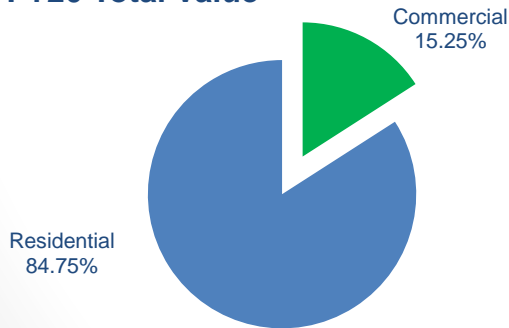
# Commercial Value Important to Town Finances

University Station has significantly helped overall finances:

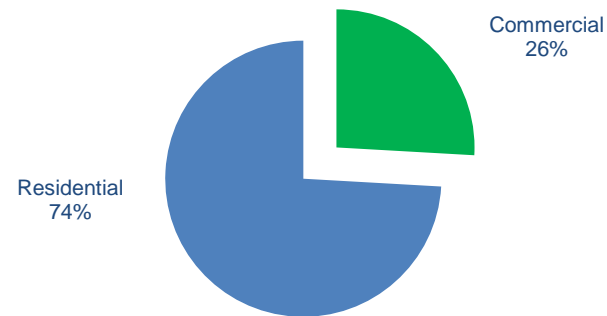


University Station  
comes on line

### FY20 Total Value

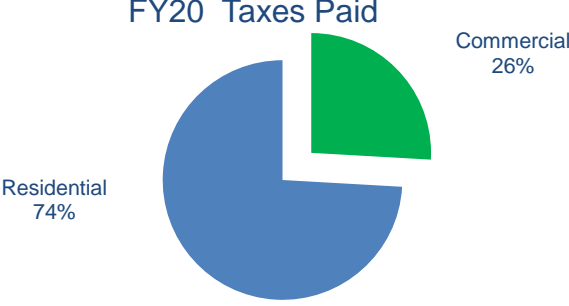
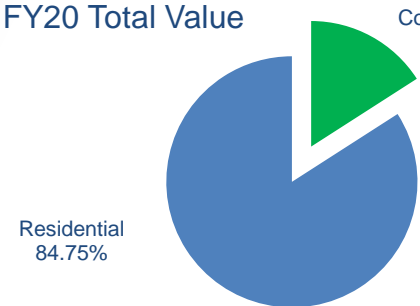


### FY20 Taxes Paid



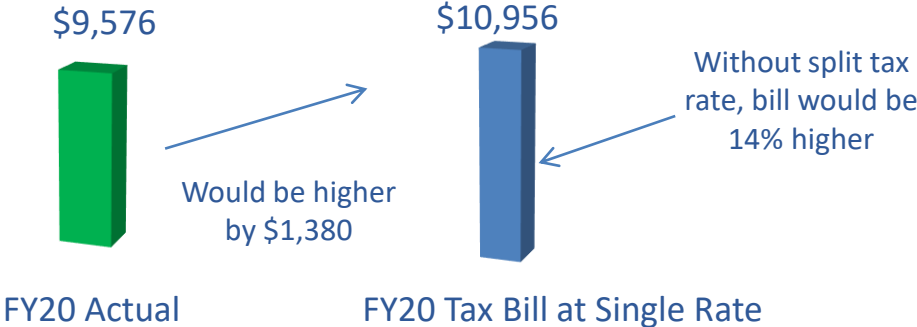
Commercial is 15.25% of value, but pays 26% of total taxes

# Commercial Value is Important to Town Finances



Commercial is 15.25% of value, but pays 26% of taxes

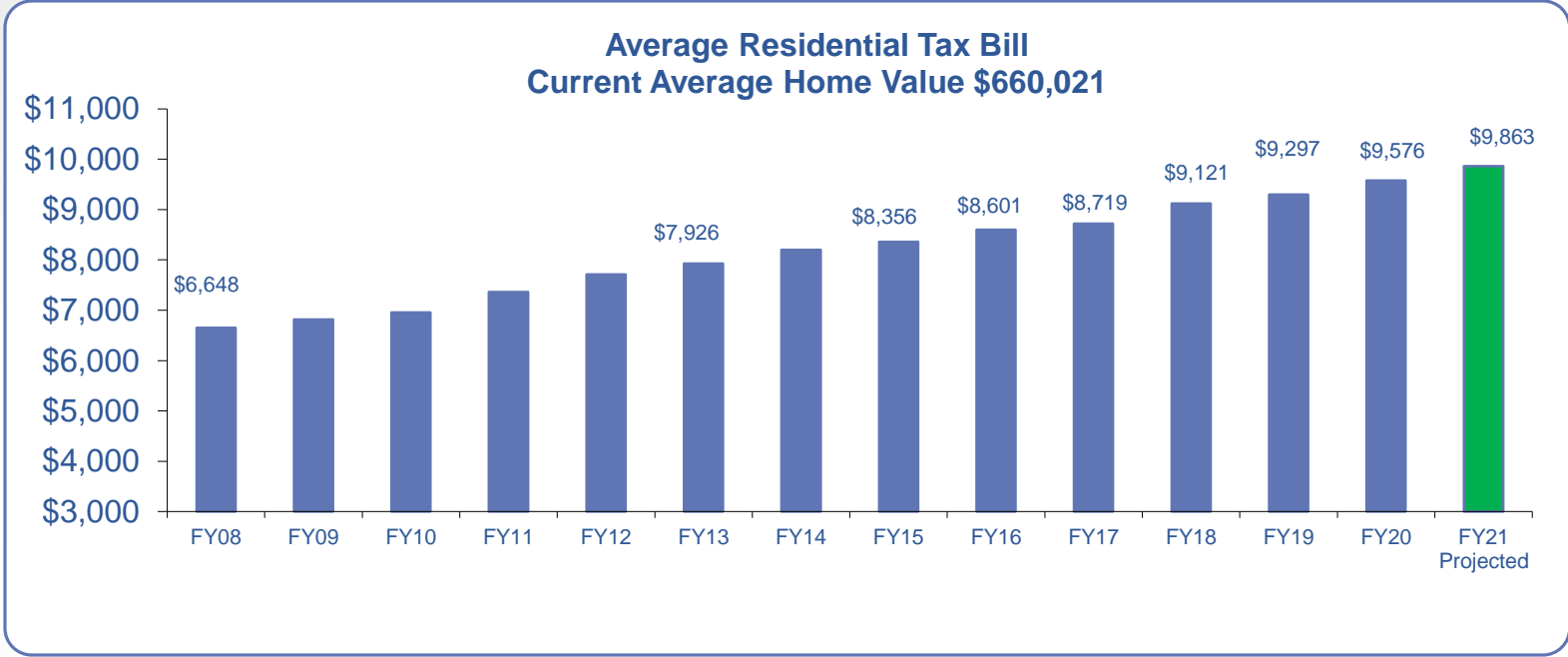
- Significant Savings to Homeowners from Split Tax Rate



The split tax rate provides significant tax relief for homeowners.

In FY20 that relief is \$1,380.

# A Look at the Average Tax Bill



- FY21 bill projected increase of \$287 or 3%.
  - Based on net tax levy change only, not any change in commercial/residential shift.

Westwood's Ranking in the State Average Tax Bill						
FY14	FY15	FY16	FY17	FY18	FY19	FY20
18	17	17	18	17	18	18

# Proposition 2 ½ Controls Total Town Taxes, But Individual Bills May Vary

## FY20

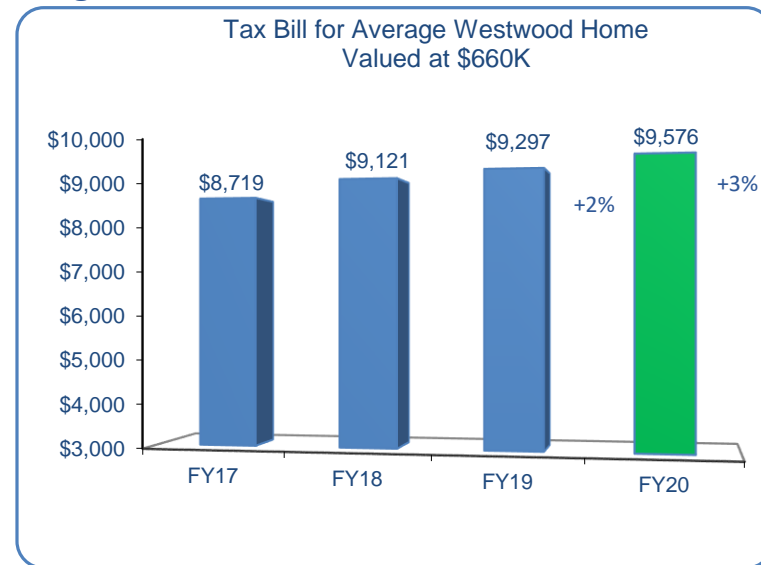
- Residential Tax Bill – Each Tax Bill is Based on the Change in Value

- FY20 – Total residential value increased by 5.6%

- Average home: \$660K

- FY20 Increase in value 4%
    - FY20 Increase in tax 3%

- However, individual homes may have different value changes.



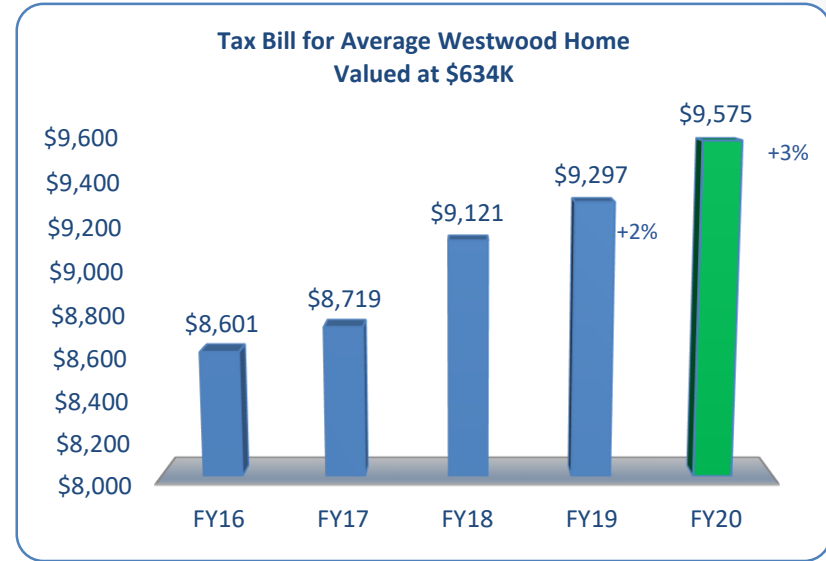
Sample of Westwood Homes

Home Value			Tax Bill		
FY19	FY20	% Change	FY19	FY20	% Change
\$1,862,200	\$1,966,850	5.6%	\$27,281	\$28,539	4.6%
\$1,213,250	\$1,275,100	5.1%	\$17,774	\$18,502	4.1%
\$1,032,800	\$1,070,750	3.7%	\$15,131	\$15,537	2.7%
\$875,600	\$909,450	3.9%	\$12,828	\$13,196	2.9%
\$745,550	\$768,700	3.1%	\$10,922	\$11,154	2.1%
\$633,950	\$674,250	6.4%	\$9,287	\$9,783	5.3%
\$566,600	\$588,950	3.9%	\$8,301	\$8,546	3.0%

# Proposition 2 ½ Controls Total Town Taxes, But Individual Bills May Vary

## FY19

- FY19 – Total residential value increased by 5%
  - Average home: \$634K
    - FY19 Increase in value 5%
    - FY19 Increase in tax 2%
- However, individual homes may have different value changes.



Sample of Westwood Homes

Home Value			Tax Bill		
FY18	FY19	% Change	FY18	FY19	% Change
\$1,842,850	\$1,843,000	0%	\$27,809	\$27,000	-2.9%
\$1,168,700	\$1,213,250	3.8%	\$17,636	\$17,774	.8%
\$950,850	\$1,032,800	8.6%	\$14,348	\$15,131	5.5%
\$811,850	\$875,600	7.9%	\$12,251	\$12,828	4.7%
\$714,900	\$745,550	4.3%	\$10,788	\$10,922	1.2%
\$597,800	\$633,950	6%	\$9,021	\$9,287	3.0%
\$522,950	\$566,600	8.3%	\$7,891	\$8,301	5.2%



