

PROPOSITION 2 1/2

1. How does Proposition 2 ½ limit Property Tax?

Proposition 2 ½ 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 ½ percent of the full cash value of all taxable property in the city or town.

<u>Example:</u>	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 can increase from year to year by more than 2 ½ percent with certain exceptions for new growth, or through overrides and exclusions as adopted by the voters.

<u>Example:</u>	FY-08 Levy Limit was	\$72,957,348
	Times 2 ½ %	\$1,823,934
	FY-09 Growth	<u>\$2,714,298</u>
	FY-09 Total Levy Limit	\$77,495,580
	FY-09 Actual Levy	\$75,217,111
	FY-09 Excess Capacity.	\$ 2,278,469

2. How does Propositions 2 ½ affect my individual bill?

The levy limit provisions of proposition 2 ½ 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 ½?

The voters adopted the Classification Amendment to the Massachusetts Constitution in 1978. It allowed cities and towns 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 ½ affects the total amount of tax that can be raised. Classification affects which classes of taxpayers will pay what specific share of the total tax levy.