

PROPOSITION 2 1/2 GLOSSARY OF TERMS

Capital Outlay Expenditure Exclusion – one-time override for a specific capital item, such as purchasing a fire truck.

Debt Exclusion - an increase in a community's property tax levy of a specific dollar amount over the Proposition 2 ½ limit in order to cover a specific item of borrowing. A debt exclusion must receive a majority vote **both** at town meeting (or city council) and also at a general election. An amount so voted is not added to the property tax levy permanently but declines if the debt payments decline and is eliminated when the debt is paid off.

Excess Levy Capacity – the difference between the Levy Limit and the actual property tax levy of a community in a given year.

Levy Ceiling – a limitation on the total amount a community can raise in property taxes annually, equal to 2 ½ the total assessed valuation of all taxable property in the community.

Levy Limit – a limitation on the annual increase in a community's total property tax levy, equal to 2 ½% of the prior year's tax levy. This is neither a limit on the tax rate nor a limit on the tax paid by any individual property owner.

Local Option Tax – a tax passed by the state legislature which individual communities may adopt by vote of town meeting (city council). The legislation sets forth limitations, reporting requirements and procedures for collecting the tax. Example: Community Preservation Act.

Motor Vehicle Excise Tax – \$25 per \$1,000 of value, paid annually to the municipality in which the car is registered.

New Growth – estimated taxes from new construction.

Override – an increase in a community's property tax levy of a specific dollar amount over the Proposition 2 ½ limit. An override must receive a majority vote **both** at town meeting (or city council) and also at a general election. An amount so voted is added to the property tax levy permanently but may be eliminated by a similar process, called an under-ride.

PILOT (payment in lieu of taxes) – a voluntary, negotiated payment by a tax-exempt institution such as a hospital or school to a community in which it holds property. Usually figured as a percentage of the property tax which would be assessed if it were not exempt.

Property Tax Levy – the total amount a community raises in real and personal property taxes.

Proposition 2 ½ - a Massachusetts law passed in 1980 which limits the total amount of a community's property tax levy to 2 ½% of total property assessments, and limits annual increase in the levy to 2 ½% of the prior year's levy plus estimated taxes on new development (new growth).

Tax Exempt Property – property on which some or all of the property tax is not paid, upon approval of the Board of Assessors, if it falls into categories established by statute, such as hospitals, schools, houses of worship and cultural institutions.

Tax Rate – the amount of property tax per thousand dollars of assessed valuation.

