

Proposition 2 1/2

Proposition 2 1/2 is the title given to an initiative petition adopted by the voters of the Commonwealth of Massachusetts in 1980.

Its primary features relate to the total amount of property taxes a city or town can raise each year. Other parts of the initiative limit state agency assessments on cities and towns, prohibit unfunded state mandates, and repealed binding arbitration for certain public employees. In addition, it reduced the motor vehicle excise tax rate and has allowed renters a deduction on their state income tax.

HOW DOES PROPOSITION 2 1/2 LIMIT PROPERTY TAXES?

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

1. The property tax levy ceiling (the amount raised) can never exceed 2 1/2% of the full cash value of all taxable property in the city or town.
2. The property tax levy cannot increase from year to year by more than 2 1/2%, with certain exceptions for new growth, or through over rides and exclusions as adopted by the voters.

HOW DOES PROPOSITION 2 1/2 AFFECT MY INDIVIDUAL BILL?

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

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 towns to categorize real estate into four classes - residential, commercial, industrial and open space - and to tax these classes at different rates.

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

DOES PROPOSITION 2 1/2 ALLOW INCREASES IN THE TAX LEVY?

Proposition 2 1/2 contains several provisions for an increase in the tax levy limit:

1. The levy limit can be increased by 2 1/2% each year so long as the levy does not exceed 2.5% of the full cash value of all property in the city or town.
2. The levy can be increased by the value of new construction and newly-taxable parcels. This provision ensures that cities and towns can recover additional service costs resulting from new taxable projects.
3. The levy can be increased by the adoption of an override. An override provision allows the voters of the city or town to raise additional revenues (or to reduce the levy) by the specific amount. This can be accomplished by placing an override question on the ballot in a general or special election, and approving the measure by a simple majority of voters. The increase approved by the voters then becomes part of the base for calculating future years' levy limits. It is important to consider, however, that Proposition 2 1/2 also mandates that the property tax levy for any given year can never exceed the property tax levy ceiling (which is, again, 2 1/2 of the assessed value of all taxable properties within a city or town). An override of the Proposition 2 1/2 levy limit does not allow the levy to exceed the levy ceiling.
4. The levy can be increased by the adoption of an exclusion. The exclusion provision allows the voters of the city or town to exclude bonds or debt issued for municipal capital improvements and is in place only for the length of the borrowing. It does not add to the base for calculating future years' levy limits.