

Taxes In Canton: A Timeline for FY14

January 2013: Revenue Committee Meets to Set Revenue Number

Start with Prior Year Levy Limit	\$58,000,000
Add 2.5%	\$ 1,450,000
Add New Growth Estimate	\$ 400,000
Add Override	\$ <u>0</u>
Levy Limit	\$59,850,000
Add Debt Exclusions (High School)	\$ 2,000,000
Less Abatements Estimate	\$ <u>1,000,000</u>
Property Tax Revenue	\$60,850,000

Numbers are hypothetical unless otherwise noted. Dates are also approximate, the State isn't always on time.

First, lets talk about how tax rates are set in Canton. Its quite a process.

In January, the Revenue Committee meets to produce a revenue projection to base our spending on. The Revenue committee is made up of members of the BOS, FINCOM, Assessors and Building Inspector. The Revenue Committee is conservative, targeting to project a revenue number under the actual number 90% of the time. Projecting too much in revenue can cause major budget issues down the line.

To project the property tax revenue, you start with the prior year's levy and add 2.5%. An estimate for new growth is added, as is any operational override that was passed in the previous year. That creates the 'New' Levy limit. Add in any payments for debt that was passed outside of the levy and subtract a contingency for property tax abatements.

This leaves you with the Property Tax Revenue estimate.

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Property Tax Revenue	\$60,850,000
State Aid	\$ 7,500,000
Local Receipts (Auto Excise, Permits)	\$ 5,000,000
Other Transfers / Foreclosures	<u>\$ 2,000,000</u>
 Total Revenue	 \$75,350,000

Feb – Apr 2013: Using Forecast Numbers, FinCom recommends balanced budget

Fixed costs are subtracted and the remaining revenue is split between the School and Municipal Departments

May 2013: Town Meeting Approves the FY 14 Budget

June – November 2013: State confirms and certifies various estimates

Around June 2013: State Aid is confirmed

Around November 2013: New Growth is confirmed

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Next, the Property Tax Revenue is combined with estimates of State Aid, estimates of Local Receipts and other transfers to create the total revenue projection. Subtract Fixed Costs, such as Health Insurance, and the remainder of the projected revenue is split between the schools and municipal departments.

Town Meeting approves a spending amount.

Then, the town waits for the State to confirm the State Aid number and the New Growth Number.

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November 2013: Assessors and Selectman meet to set tax rate

The Town approved spending \$75,350,000
State Aid is known and Local Receipts are Estimated
Property Taxes satisfy the difference

Approved Spending	\$75,350,000
Less State Aid	\$ 7,500,000
Less Other	<u>\$ 7,000,000</u>

Property Tax Amount	\$60,850,000
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Why they don't always 'Tax to the Max'

State Aid can be higher than budgeted
State Charges can be lower than budgeted
Property Taxes may not need to be \$60.85M to balance the budget.

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Once the State Aid and Other charges are known, the actual amount of property taxes needed to balance the budget is known.

The Selectman and Assessors meet to discuss how much in Property Tax they will collect. In this example, the most that they could tax is \$60.85M, however if state aid is higher than projected, they could choose to collect less in property taxes.

Since the Revenue Committee is conservative in their estimates, often the Selectman will not have to 'Tax to the Max' and can instead increase property taxes by a lower amount.

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How Are Property Taxes Divided Up?

Canton has a split tax rate so the businesses pay a different (higher) rate than the residences.

The target has traditionally been that businesses pay 37% of the taxes.

37% of \$60,850,000 = \$22,514,500

Total Business Property in Canton = \$900,000,000

Business Tax Rate \$25.02 per thousand (Actual 2012 = \$24.23)

63% of \$60,850,000 = \$38,335,500

Total Residential Property in Canton = \$3,000,000,000

Residential Tax Rate \$12.78 per thousand (Actual 2012 = \$11.91)

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Finally, you may be wondering how that \$60.85M of property taxes is divided up.

Canton has a split tax rate, and has traditionally targeted 37% of property tax revenue coming from the businesses.

Taking the amount of the business contribution and dividing it by the total business property in Canton gives you the tax rate.

You can follow the same formula for the residential real estate.

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How are properties valued?

Properties are divided up into several categories.

Every 9 – 10 years, each property is inspected.

Every year, property values are adjusted based on the difference between the sale price and assessed value in the category.

Every 3 years, these valuations are certified by the State.

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Finally, you may ask how the properties are valued.