

Tax Panic

Part 1 of the series

Two things that can impact your taxes but are often misunderstood.

All taxpayers are concerned about taxes. But when discussing taxes, I find two common misunderstandings regarding tax rate and budget cuts.

1. Tax Rate

The first one is that tax rate reflects your annual tax bill. It doesn't. Take a look at the tables below. For simplicity's sake I used \$20.00 for a tax rate.

This table assumes a house valued at \$200,000 in a town that has set the tax rate at \$20.00 per thousand.

Current home value	Current tax rate	Your annual tax bill
\$200,000	\$20.00 per thousand	\$4,000

Now, let's take a look at what happens if your property is revalued by 10%. In this example it assumes that the town budget stays the same and that you have not made any significant improvements to your home. The only change is its value.

New home value	New tax rate	Your annual tax bill
\$220,000	\$18.18 per thousand	\$4,000

Note: This example does not address the impact if you have made major improvements to your home or if the town budget has a significant increase.

There is some good news here. This change could help keep us from getting too close to the Massachusetts State levy limit of \$25.00 per thousand. This change might help you get a better price for your property should you choose to sell it. This value will help improve your equity line. Your tax rate is reduced by \$1.82. The bad news is you are still paying \$4,000. **Tax rate does not equal tax bill.**

Property values have a significant impact on what our tax rate is. If we are concerned about the tax rate, then we need to look at our town's total valuation. While property values in rural areas have risen in the past year, Heath's valuations have been stagnant for many years. Alice Wozniak's (assistant assessor) recent update on values which adjusts all properties based on current sale trends indicates that the valuation of the town has gone up by \$4,000,000. Our next official revaluation based on Department of Revenue standards will be in FY 2023. What impact might we expect?

2. Budget cuts are the only way.

The second misunderstanding regarding taxes is that budget cuts are the only solution to keep our tax rate and our annual bill under control. There is no question that budget reductions can have an impact. But we also need to take a closer look at ways to increase revenue.

- Are there grants we should be taking advantage of?
- Can we find ways to improve state and federal support?
- Can we take advantage of solar incentives to reduce our energy costs?
- Do we have some smaller long-term loans that could be paid off in advance using funds from free cash or stabilization funds?

We have to start asking these questions. We cannot cut our way to sustainability.

In my next post I'll be addressing the issue of apples to oranges.

—Susan Lively