It is also important to recognize that the inflation adjustment or market adjustment does not by itself affect the tax. When the values are increased, the tax rate goes down; if the values drop as they did in the late eighties and early nineties, the tax rate goes up.

The tax is impacted by the change in the % share of the levy by class and the increase in the amount to be raised, the levy. Tax is also impacted by changes in the market regarding style preference. An example of this would be as follows; when fuel prices increase, larger homes decrease in value and there is an increase in smaller, more efficiently heated homes. The converse is true when fuel prices moderate. In each case the market rules.

For this and other similar reasons, it is more equitable to modify values annually than only every three years.

Real growth revenues are paid by those whose properties have been modified. New lots, homes, condos, expansions of existing properties are a few examples. The revenues generated in some cases, actually help to reduce the tax rate and can reduce the tax by a small amount, as a result of the growth revenue being calculated at the previous years tax rate and the value at the new base rates and a reduced tax rate.

Annually, the assessors estimate the anticipated growth, for Selectmen, Managers, Mayors, Chief Financial Officers, and Councilors, for budgeting purposes. Those estimates are usually conservative because no assessor wants to estimate too much and necessitate retrenchment or reduction of budgets. If growth exceeds estimates, the only result is a higher levy limit and excess levy capacity. Excess levy capacity does not affect tax.

Growth Revenue What is it, how does it affect the Budgeting Process

Prop 2 ½ was modified by the Legislature in order to provide for growth revenue in communities that experience greater demand for municipal services due to the "real" growth of those communities.

Over the years, growth has evolved through changes in the criteria, as determined by the Department of Revenue.

Originally, growth included new construction that added at least 50% of the prior value of a parcel. The increase of the value was determined by using the prior year's base rates for building improvements and the difference between the land value of a parcel prior to a subdivision in a fiscal year, subtracted from the total value of the combined parcels of a subdivision for the following year.

Permanent abatements or adjustments were not a factor.

Today, the definition of growth is significantly different. The land growth is calculated the same as it has since the passage of Prop 2 ½ except that the subdivision is based on the new updated land value.

Permanent abatements or adjustments are a major part of the growth calculation as we know it.

The building value growth is calculated by using whatever new value has been added to a parcel from the first dollar, that is due to the improvements built, using the new rates.

The fact that the growth calculation utilizes the new base rate, after adjustment, adds value that would not have been considered growth prior to fiscal 2004. The increase is dependent on the modification of the model base rates. If the base rate increases by 5%, the growth would increase by 5%. This change has increased the growth in some municipalities in fiscal 2004.

If there was no increase in base rates, the growth would be the same as it would have been using the previous year's unadjusted base rates.

Example:
A vacant parcel is valued at $100,000. for Fiscal year 2003. A new cape is built on the lot. The base rate of the capes was changed from $100. to $110. for fiscal year 2004. If the effective area assessed is 3000 sq ft and the value for fiscal year 2003 would have been $300,000, and the new value is $330,000. then the growth would be 10% more, or $30,000 extra growth.

It is not difficult to see how this change in interpretation benefits most municipalities. The levy limits all would are higher and it allows municipalities to continue to be able to provide the services needed.

It doesn't take too much imagination to see the that preference of the administrations would change from not modifying values in the interim years to, you must adjust the base rates, so that we'll have more growth". It is not rocket science.

It is important to note that the assessed value is the same, in either case; the only change is the timing of the rate adjustment and the amount that is considered growth.