

<u>Residential</u>	<u>FY'15</u>	<u>FY'16</u>	<u>FY'17</u>	<u>17/'16</u>
Amesbury	\$20.54	\$20.28	\$19.95	-1.6%
Andover	\$14.97	\$14.82	\$15.18	2.4%
Beverly	\$14.11	\$14.39	\$14.28	-0.8%
Boxford	\$15.99	\$16.46	\$16.31	-0.9%
Danvers	\$14.91	\$14.20	\$14.19	-0.1%
Essex	\$15.42	\$15.77	\$15.32	-2.9%
Georgetown	\$16.03	\$15.87	\$16.21	2.1%
Gloucester	\$13.65	\$13.61	\$13.19	-3.1%
Groveland	\$14.61	\$15.09	\$14.68	-2.7%
Hamilton	\$17.09	\$17.25	\$16.81	-2.6%
Haverhill	\$15.35	\$15.36	\$14.99	-2.4%
Ipswich	\$13.51	\$14.85	\$14.19	-4.4%
Lawrence	\$15.12	\$15.51	\$15.34	-1.1%
Lynn	\$16.75	\$16.18	\$15.60	-3.6%
Lynnfield	\$14.49	\$14.50	\$13.78	-5.0%
Manchester	\$10.84	\$11.07	\$11.00	-0.6%

Marblehead	\$11.08	\$11.10	\$11.01	-0.8%
Merrimac	\$16.25	\$16.16	\$16.34	1.1%
Methuen	\$14.60	\$14.81	\$14.65	-1.1%
Middleton	\$13.78	\$13.89	\$13.95	0.4%
Nahant	\$10.92	\$10.52	\$10.47	-0.5%
Newbury	\$11.52	\$11.40	\$10.61	-6.9%
Newburyport	\$13.34	\$13.39	\$13.45	0.4%
North Andover	\$14.39	\$14.27	\$14.28	0.1%
Peabody	\$12.30	\$11.92	\$11.76	-1.3%
Rockport	\$11.00	\$11.25	\$11.28	0.3%
Rowley	\$14.24	\$14.36	\$14.14	-1.5%
Salem	\$16.41	\$15.67	\$15.86	1.2%
Salisbury	\$11.75	\$11.67	\$11.92	2.1%
Saugus	\$12.02	\$12.20	\$12.05	-1.2%
Swampscott	\$17.15	\$17.33	\$17.45	0.7%
Topsfield	\$16.45	\$16.52	\$16.93	2.5%
Wenham	\$16.25	\$16.98	\$18.33	8.0%
West Newbury	\$15.69	\$14.63	\$14.55	-0.5%

Source: Mass Dep of Revenue

Median and Average Tax Rates

The median and average tax rates are both **\$14.41**. The highest taxed town, Amesbury, is therefore 38% higher than the average, while the lowest, Nahant, is 27% below the average. Or put another way, the highest tax rate in Essex County is 90% higher than the lowest.

Tax Rates of Neighboring Towns

Where taxes become interesting is when one can compare tax rates in neighboring towns. Many people, especially those moving to the area, whether from Boston or elsewhere, are willing to consider more than one town. There are many factors in the decision about where to live, but tax rates can be a significant influence on the decision.

Note, for example, that Marblehead's rate is much lower than Swampscott's; Newbury's is significantly lower than the surrounding towns'; and that Manchester's is a lot lower than Hamilton's or Wenham's. Some - normally the officials of higher-taxed towns - argue that their lower property values offset higher taxes. Frequently, however, residents of highly taxed towns cite taxes as a reason for wanting to move.

Tax rate changes in 2017

Of the 34 cities and towns in Essex County, **22 have announced decreases** in their tax rate while **12 have had increases approved**. The median change was a decrease of just 0.7%.

Of the 22 decreases 13 were 2% or less, while the largest decrease was the 6.9% in Newbury.

7 of the 12 increases were 2% or less. The largest increase by far was the 8% in Wenham, where the removal of Penguin Hall from tax rolls impacted the total valuation.

How property tax rates are calculated

There are two main points to understand:

The **dollar amount** raised by property taxes is based on a simple formula: the dollar levy for the previous year plus 2 1/2% (Prop 2 1/2), plus any new growth (e.g. new construction), plus any voter-approved overrides or debt exclusions.

The **tax rate** is then calculated by dividing the dollar amount by the Assessed Value of all property. For FY 2017 (July 2016-June 2017) Assessed Values are based upon sales during **2015**.

Thus, the dollar amount (and tax bills) will always increase from year to year, but the tax rate depends upon what happens to Assessed Values (AV). Here are

examples. All assume a 4% increase in the **dollar amount** to be raised from taxes. The variable is the change in the AV. In the years when AVs were declining, tax rates rose. As AVs are now increasing we should expect to see tax rates flat to down.

	<u>Year 1</u>	<u>Year 2</u>	<u>Change</u>
Tax Levy	\$1,000	\$1,040	4.0%
AV	\$100,000	\$104,000	4.0%
Tax rate	\$10.00	\$10.00	0.0%
Tax Levy	\$1,000	\$1,040	4.0%
AV	\$100,000	\$100,000	0.0%
Tax rate	\$10.00	\$10.40	4.0%
Tax Levy	\$1,000	\$1,040	4.0%
AV	\$100,000	\$108,000	8.0%
Tax rate	\$10.00	\$9.63	-3.7%
Tax Levy	\$1,000	\$1,040	4.0%
AV	\$100,000	\$96,000	-4.0%
Tax rate	\$10.00	\$10.83	8.3%

Outlook for FY 2018

As we approach the year end the median price of a Single Family Home in Essex County will increase about 5% in 2016, and it is 2016 sales which will be used in calculating FY 2018 tax rates. Since the dollar amount to be raised from property taxes will naturally continue to increase, at this stage it seems reasonable to expect a modest decline in tax rates for FY 2018, but there will, as always, be fluctuations from town to town.

If you – or somebody you know – are considering buying or selling a home and have questions about the market and/or current home prices, feel free to contact me on 617.834.8205 or Andrew.Oliver@SothebysRealty.com.

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