

## **Town of Reading**

### **Property Tax Overview – December 2009**

Property taxes in Reading account for about 2/3 of all revenues for the general fund of the Town. According to Massachusetts state law there are two types of property taxes – real estate and personal property. In Reading, over \$45 million in real estate taxes are assessed and over \$600,000 in personal property taxes are assessed in the current year.

Every year, the Assessing division adjusts the entire list of taxable property in Reading, using carefully established procedures under Massachusetts General Law. The assessed value is designed to reflect the “full and fair cash value” on the first day of the previous January.

Thus for tax bills that will be mailed out in the next few weeks, the assessed values will be those as of January 1, 2009. As required by state law, this analysis was calculated from the entire list of real estate sales completed during calendar year 2008 (for commercial property, “income produced” and other methods are used, since sales data is sparse).

When home prices climb, the assessed values tend to lag market prices, since they are 11 to 23 months behind. In the recent year or two, as real estate prices have declined, assessed values may be higher than market prices.

As long as all values are assessed “fully and fairly”, whether the assessed value is higher or lower than the market value is not important when it comes to determining the property taxes. Here is why.

According to state law (Prop. 2.5), the sum of ALL property taxes in Reading may increase by a maximum of 2.5% each year (aside from new growth). If all property in Reading increased by exactly 10% in assessed value in one year, then every property tax bill could increase by exactly 2.5%. If all property in Reading decreased by exactly 10% in assessed value in one year, then every property tax bill could increase by the same 2.5%.

In Reading, all property – commercial, residential, and others – are taxed at the same rate. Many other cities and towns have ‘split rates’, where residential rates are lower than the other property types. The Reading Selectmen every year consider splitting the tax rate at a hearing in late fall; thus far they have chosen not to do so.

It is possible for property taxes in a city or town to rise by 2.5% in total, but for individual properties or even large classes of properties to decrease at the same time. This is much more likely to happen in a city or town that has a large ‘split rate’, and a large proportion of non-residential taxpayers. However, in Reading the tax rate is uniform, and residential taxpayers pay about 91% of all taxes.