

## How Marblehead's 2023 Property Tax Rate is Calculated

The formula for calculating the property tax is: take the \$ amount of the previous year's **Tax Levy**, add 2.5% for **Proposition 2 1/2**, and also add any **New Growth** (such as new construction or a condo conversion). This figure is the **new tax levy**. To this figure is added **debt service** - the Principal and Interest payable on the town's debt. - to produce the total **Tax Levy**.

The tax rate is then calculated by dividing the Tax Levy by the Assessed Value of property - and, crucially, that calculation is based upon prices as of January 1, 2022, using data from sales in calendar year 2021. What that means is that 2022 sales are used for the calculation of the tax rate in FY2024 - not FY2023.

Here are the numbers for Fiscal Years 2022 and 2023, remembering that FY 2023 runs from July 2022 to June 2023.

FY 2022	Assessed Value	\$7,251,163,068	
	FY 2021 tax levy	\$65,122,516	
	2.5% increase	\$1,628,063	
	New growth	<u>\$355,486</u>	
	FY 2022 tax levy	\$67,106,065	\$9.25
	Debt exclusions	<u>\$9,212,562</u>	<u>\$1.27</u>
	Total tax levy	\$76,318,627	<b>\$10.52</b>
FY 2023	Assessed Value	\$7,908,527,005	
	FY 2022 tax levy	\$67,106,065	
	2.5% increase	\$1,677,652	
	New growth	<u>\$434,109</u>	
	FY 2022 tax levy	\$69,217,826	\$8.75
	Debt exclusions	<u>\$9,898,848</u>	<u>\$1.25</u>
	Total tax levy	\$79,116,674	<b>\$10.00</b>

### The Tax Levy calculation

The dollar amount raised by the property tax will increase year by year. That is because of the formula: last year's number plus 2.5% plus new growth. In the table above you can see how the **FY 2022 tax levy** of **\$67,106,065** becomes the base for FY 2023. **Add \$1,677,652** for **Prop 2.5%** and **\$434,109** for **new growth** and the new figure is

**\$69,217,826.** To this number is added the debt service of **\$9,898,848** - to give a total amount to be raised of **\$79,116,674.**

### **The Tax Rate**

The actual tax rate depends upon the total **Assessed Value** of all property: residential, commercial and personal. The **tax rate** is calculated by dividing the total dollar amount to be raised by the total Assessed Value of all property. Thus, **while the \$ amount raised by the tax (and therefore the median tax bill) will increase each year, the headline tax rate will fluctuate depending upon the direction of Assessed Values.**

In simplistic terms, the \$ amount raised before debt service will increase by a little more than 2 1/2% each year, so if the median Assessed Value also increases by a little more than 2 1/2% the tax rate will be unchanged. If the increase in Assessed Values is less than 2 1/2%, then the tax rate will rise. And if the increase in Assessed Values is more than 2 1/2% then the tax rate will rise. One additional factor is the cost of debt service.

In **FY 2022** the tax rate was **\$10.52**, achieved by **dividing** the **\$76.3 million** to be raised by the **\$7.25 billion** of Assessed Value. And in **FY 2023** the calculation is **\$79.1 million** divided by **\$7.9 billion**, which produces a rate of **\$10.00**. The median **tax bill**, based on the higher Assessed Values, will **increase** by **\$310** or 4%, to **\$8,074**.

Note that the calculation of the tax rate is made simpler by the fact that Marblehead's Board of Selectmen votes each year to have a **single tax rate for both residential and commercial property**. In towns which elect to have a differential rate - i.e. by taxing commercial property at a higher rate than residential - there are generally two different tax rates, achieved by dividing the amount to be raised from residential and commercial taxpayers by their respective aggregate Assessed Values.

### **How does debt service affect the tax rate?**

The announced property tax rate announced each year also includes the cost of debt service:

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	
Levy	\$9.90	\$9.72	\$9.41	\$9.37	\$9.25	\$8.75	87.5%
Debt exclusions	\$1.12	\$1.02	\$0.98	\$1.05	\$1.27	\$1.25	12.5%
Total	\$11.02	\$10.74	\$10.39	\$10.42	\$10.52	\$10.00	100.0%

### **What is the outlook for FY 2024?**

In 2022, the year that is the basis for the FY 2024 property tax calculation, the median MLS SFH sale price was **\$938,000**, an increase of 10% from 2022's \$850,000. That does not mean that the total Assessed Value of the town's properties - which also include Condos, Industrial and Personal property - will increase by 10% but it should certainly be well in excess of 2 1/2%. This suggests that the actual tax rate should decline again for FY2024, but we will get a clearer idea after the town publishes its budget next month.

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[Essex County 2022 Property Tax Rates: Town by Town guide](#)  
[Guide to Buying and Selling in Southwest Florida](#)

[Essex County 2022 Commercial Property Tax Rates: Town by Town guide](#)  
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***“If you’re interested in Marblehead, you have to visit the blog of Mr. Andrew Oliver, author and curator of OliverReports.com. He’s assembled the most comprehensive analysis of Essex County we know of with market data and trends going back decades. It’s a great starting point for those looking in the towns of Marblehead, Salem, Beverly, Lynn and Swampscott.”***

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