

How Swampscott's FY2022 Property Tax is Calculated

Swampscott's **residential tax rate** will **drop** from \$13.80 in Fiscal Year 2021 to **\$12.83** in FY 2022 (and down from a high of **\$18.84** in FY 2013). The FY 2022 rate will be the lowest since 2006.

Commercial and industrial property is surcharged at 170%, as in FY 2021, resulting in a tax rate of **\$23.20, down from \$24.90** in FY 2021 (and a high of \$35.02 in FY 2013).

The average SFH tax bill has been flat in recent years:

<u>Fiscal Year</u>	<u>SFH</u>
2022	\$9,078
2021	\$8,999
2020	\$8,999
2019	\$9,022
2018	\$9,073
2017	\$9,225
2016	\$9,048

“Every year since 2017, Swampscott’s average, single-family home tax bill has dropped or stayed level – and that’s unique, exceptional,” said Town Administrator Sean Fitzgerald. “You won’t be able to find another community in the commonwealth that has spent as much time really trying to find balance and stability. Many peer communities have increased their taxes every year over the past four years.”

How is the rate calculated?

The method of calculating the tax rate is quite simple: 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 maximum tax levy. To this figure is added debt service - the Principal and Interest payable on the town's debt. Note that in recent years, Swampscott has not assessed the maximum allowed under this formula, a decision that has reduced the tax bill for residents.

Here are the numbers for FY 2021 and FY 2022, remembering that the FY 2022 runs from July 2021 to June 2022.

			<u>Residential</u>	<u>Commercial</u>
FY 2021	Assessed Value		\$3,166,165,714	\$177,427,802
	FY 2020 tax levy	\$51,665,474		
	2.5% increase	\$1,291,637		
	New growth	<u>\$630,471</u>		
	FY 2021 tax levy	\$53,587,582		
	Debt service	\$1,723,603		
	Maximum Tax Levy	\$55,311,185		
	Actual Tax Levy	\$49,751,875	\$43,693,592	\$4,417,952
	Tax rate		\$13.80	\$24.90
			<u>Residential</u>	<u>Commercial</u>
FY 2022	Assessed Value		\$3,485,764,995	\$208,068,025
	FY 2021 tax levy	\$53,587,582		
	2.5% increase	\$1,340,854		
	New growth	<u>\$560,246</u>		
	FY 2022 tax levy	\$55,488,682		
	Debt service	\$1,698,817		
	Maximum Tax Levy	\$57,187,499		
	Actual Tax Levy	\$51,396,158	\$44,722,365	\$4,827,178
	Tax rate		\$12.83	\$23.20

The Tax Rate

The actual tax rate depends upon the total Assessed Value of all property: residential, and commercial, industrial and personal (CIP). The tax rate is calculated by dividing the total dollar amount to be raised from each class by the Assessed Value of each class. Thus, the headline tax rate will also fluctuate depending upon the direction of Assessed Values.

In simplistic terms, if we assume that the \$ amount to be raised increases by a little more than 2 1/2% each year, then if the average 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 fall. In recent years Assessed Values have been increasing significantly more than 2 1/2% allowing the tax rate to decline. Looking at the Swampscott residential tax rate, in FY 2021 it was \$13.80, achieved by

dividing \$43.7 million raised from residential homeowners by the residential AV of \$3.2 billion. In FY 2022 the amount to be raised from residential taxpayers is set to increase slightly to \$44.7 million, but because the total residential AV increased by 10% to \$3.5 billion, the headline tax rate has dropped to \$13.20, the lowest figure since 2006.

Comment

The residential real estate market in Swampscott was stable in 2020 (and 2020 prices are the basis for the FY 2022 tax rate), with the median price of Single Family Homes sold rising by 2.1%. Sales in any year represent only a small percentage of the total stock so it does not follow that assessed values calculated by the town will mirror these movements.

As to the tax rate for FY 2023, 2022 (the basis for FY 2021) is a different story with the median Single Family price increasing 16% in the first half of the year. The actual rate will depend on a number of factors: the amount of debt service, how much of the maximum tax levy is assessed, and the shift to the CIP class being three of them. But unless there is a dramatic change in the market in the second half of 2021 the likelihood is that the actual tax rate will decline significantly in FY2023.

From a residential real estate perspective, the substantial decline in the tax rate in recent years and the stability in tax bills are both very welcome news and are clearly encouraging more people to decide both to live and work in Swampscott.

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