

TOWN OF CHILMARK

PROPOSAL TO CHANGE TAX BILLING

FY2014

TAXPAYER INFORMATION ON PRELIMINARY TAX PAYMENT SYSTEM

Your community is discussing the adoption of a new semi-annual preliminary tax payment system, which will affect your property tax bills for Fiscal Year 2014 (July 1, 2013 to June 30, 2014). This enclosure explains how this new system will work.

BENEFITS FROM THE NEW SYSTEM

Under the old system, property tax payments were due twice a year, ideally November 1 and May 1. In practice, communities frequently issued their tax bills at different times during the year. As a result, taxpayers were often uncertain when their bills would be issued and had difficulty in planning their payments. Also, communities were forced to borrow money to have sufficient funds to meet their bills.

The new preliminary billing system has been shown in a number of other Massachusetts communities to provide the following advantages:

- Greater certainty in payment due dates for taxpayers.
- More even distribution of income for cities and towns.
- Significant reduction -- even elimination -- of costly municipal borrowing in anticipation of tax revenues.

HOW PRELIMINARY TAX PAYMENT SYSTEM WILL WORK

Under the preliminary tax payment system, you will be sent a preliminary tax bill each year by July 1.

Your preliminary tax will be based on the adjusted net tax owed (including any betterments, special assessments and other charges added to the tax) on your property for the prior fiscal year and as a general rule will be no more than half (50%) of that amount. Adjustments are made for any abatements or exemptions granted in the prior year, and any tax increases allowed under Proposition 2½ for the current fiscal year. Your preliminary tax will be payable in a single installment due on October 1.

Example: If your Fiscal Year 2013 tax was \$2000 (including any betterments, special assessments and other charges added to the tax), and you were granted an abatement of \$400, your FY13 net tax due was \$1600. After a tax increase adjustment of 2.5%, your adjusted FY13 net tax due would be \$1640 and your Fiscal Year 2014 preliminary tax would in most instances be no more than \$820. This \$820 would be payable in a single installment due on October 1, 2013.

If for some reason preliminary tax bills were mailed after August 1, you would have until November 1 (or 30 days after the bills are mailed, if later) to pay the entire \$820.

Your actual tax bill will then be sent to you on or about December 31. This bill will show the assessed valuation of your property, the tax rate and the amount of property taxes you owe for the fiscal year, including any betterments, special assessments or other charges that are added to the tax. The tax bill will also show the amount of the preliminary tax billed earlier as a credit against your actual tax for the year. The balance of your tax must be paid by April 1.

Example: If your actual Fiscal Year 2013 tax bill is \$2100 and you had previously been billed \$820 in preliminary taxes for the year, you would have a remaining balance of \$1280. This \$1280 balance would be payable on April 1, 2013.

If for some reason actual tax bills were mailed after December 31, you would have until May 1 (or 30 days after the bills are mailed, if later) to pay the entire balance of \$1280.

LATE PAYMENTS

Under the preliminary tax payment system, interest on late tax payments will be charged for the number of days that the payment is actually delinquent. For example, if the actual tax is due on April 1 and it is not timely paid, interest will be charged from that date until the date the payment is made.

ANSWERS TO COMMON QUESTIONS ABOUT PRELIMINARY TAX SYSTEM

Will the new system affect the amount of property taxes I pay for the year?

No. The amount you pay is the same under either system. Either way, the amount is based on the valuation of your property and the tax rate. The tax rate reflects the level of taxes needed to fund local budget decisions and must still be within the limits of Proposition 2½.

Will the new system affect my right to seek an abatement or exemption?

No, these rights are unchanged. Once the actual tax bills are mailed, you will still be able to file an abatement application with the assessors if you wish to contest your assessment.

Applications for abatement must be filed on or before April 1, 2014 unless the actual bills are mailed after December 31, 2013. In that case, abatement applications must be filed on or before May 1, 2014, or the 30th day after the bills are mailed, whichever is later.

Applications for personal exemptions and the residential exemption must be filed within three months of the date the actual tax bills were mailed. All other exemption applications are due the same date as abatement applications.

If you have additional questions before the Annual Town Meeting, you should Tim Carroll @ execsec@chilmarkma.gov or read the state informational guidance release document at <http://www.mass.gov/dor/docs/dls/publ/igr/2012/igr12-203.pdf>