



April, 2015

Dear City/Town Officials:

Your preliminary FY2016 levy limit worksheet and instructions are available on our website at [www.mass.gov/dls](http://www.mass.gov/dls). This information should assist you in developing your FY2016 budget. All local officials and other interested parties are welcome to view this information.

Except for updating of the fiscal year, FY2016 levy limit instructions remain the same as in FY2015:

- IIIB. FY2016 Debt Exclusion(s) – added reference to Bulletin [2013-01B](#)
- IIID. Stabilization Fund Override – clarification regarding this override and the levy ceiling.

Adjustments to your preliminary levy limit should be made to reflect new growth, overrides, debt exclusions, capital expenditure exclusions, etc.

If your community is approaching its levy ceiling, which is 2½ percent of the total full and fair cash value of the taxable property in your community, be aware that you may not be able to use the entire 2½ percent increase in the limit, any new growth or overrides.

If you have any questions on the computation of your levy limit or on the reporting of Proposition 2½ referenda, please contact your community's Bureau of Accounts field representative. If you have any questions on the computation of new growth, please contact Walter Sandoval-Dusza of the Bureau of Local Assessment at (617) 626.4087. Bureau of Accounts field representatives are located in Boston, Worcester and Springfield.

Sincerely,

A handwritten signature in black ink that reads 'Anthony A. Rassias'.

Anthony A. Rassias  
Deputy Director of Accounts

A handwritten signature in black ink that reads 'Joanne M. Graziano'.

Joanne Graziano, Chief  
Bureau of Local Assessment

## INSTRUCTIONS FOR DETERMINING FY2016 LEVY LIMIT

### I. TO CALCULATE THE FY2015 LEVY LIMIT

- A. FY2014 Levy Limit - FY2014 levy limit exclusive of debt or capital expenditure exclusion, water/sewer exclusion, specific purpose stabilization fund override or other adjustments per special legislation.
- A1. Amended FY2014 Growth - Amended growth for FY2014 certified by the Bureau of Local Assessment after FY2014 tax rate approval but before FY2015 tax rate approval.
- B. 2.5% Annual Increase - IA plus IA1, multiplied by 2.5%.
- C. FY2015 New Growth - FY2015 tax base growth certified by the Bureau of Local Assessment.
- C1. FY2015 New Growth Adjustment – Division of Local Services staff use only when corrections are warranted for the FY2015 tax levy. Documentation will be required.
- D. FY2015 Override - Override approved by voters for FY2015 or amount appropriated for the same purpose(s), whichever is less. Do not include FY2015 debt exclusions, capital expenditure exclusions and/or specific purpose stabilization fund override.
- E. FY2015 Subtotal - Add lines IA, IA1, IB, IC, IC1 and ID.
- F. FY2015 Levy Ceiling - FY2015 assessed valuation multiplied by 2.5%.
- I. FY2015 Levy Limit - The lesser of lines IE and IF.

### II. TO CALCULATE THE FY2016 LEVY LIMIT

The FY2016 levy limit is determined in the same manner as the FY2015 levy limit.

- A. FY2015 Levy Limit - Amount from I above.
- A1. Amended FY2015 Growth - Amended growth for FY2015 certified by the Bureau of Local Assessment after FY2015 tax rate approval but before FY2016 tax rate approval.
- B. 2.5% Annual Increase - IIA plus IIA1, multiplied by 2.5%.
- C. FY2016 New Growth - FY2016 tax base growth certified by the Bureau of Local Assessment.

- C1. FY2016 New Growth Adjustment – Division of Local Services staff use only when corrections are warranted for the FY2016 tax levy. Documentation will be required.
- D. FY2016 Override - Override approved by voters for FY2016 or amount appropriated for the same purpose(s), whichever is less. Do not include FY2016 debt exclusions, capital expenditure exclusions and/or specific purpose stabilization fund override.
- E. FY2016 Subtotal - Add lines IIA, IIA1, IIB, IIC, IIC1 and IID.
- F. FY2016 Levy Ceiling - FY2016 assessed valuation multiplied by 2.5%.
- II. FY2016 Levy Limit - The lesser of lines IIE and IIF.

III. TO CALCULATE THE FY2016 MAXIMUM ALLOWABLE LEVY

- A. FY2016 Levy Limit - Amount from II above.
- B. FY2016 Debt Exclusion(s) - For each debt exclusion approved by the voters, the total principal and interest due and payable in FY2016 on the borrowing must be net of:
- any state or federal reimbursement received for the project (e.g., Massachusetts School Building Authority payment.) See [IGR 08-102](#) for details;
  - any bond premium received for bonds or notes issued and maturing in FY2005 or later. See [Bulletin 2013-01B](#) for details.
  - new bond premiums or premium balances being amortized of less than \$2,500 as of June 30, 2007 may be applied in full to reduce the debt exclusion.
  - excess Massachusetts School Building Authority (MSBA) funds received in any fiscal year after the last fiscal year that debt service is due on an excluded project, must be reported on form DE-1 as an adjustment to reduce all other excluded debt service which may result in a negative debt exclusion for that fiscal year. These funds are then applied on page 3 of the Recap as a Miscellaneous Non-Recurring estimated receipt.

Excess/Shortage of Debt Service

Any unspent debt service excluded in FY2015 must be reserved and appropriated for the next fiscal year's debt service associated with the excluded project. The reservation must be shown on the balance sheet. If the amount was not so reserved and appropriated, contact your Bureau of Accounts representative for further instructions.

Reserved debt service for an excluded regional school project must be so appropriated within two fiscal years. For example, the June 30, 2015 balance sheet reserve must be used for either the FY2016 or FY2017 regional school district budget process.

Any excluded debt service expended in excess of the amount excluded will not be credited on form DE-1 in the next fiscal year unless a debt service deficit due to this project is being raised by taxation in the next fiscal year.

#### Transfer of Excluded Debt Proceeds into Another Project

If the project to which the unspent debt excluded proceeds relates has been completed and the proceeds are transferred to another project under [G.L. c. 44, § 20](#), the debt exclusion must be proportionately reduced unless:

- the project into which the debt excluded proceeds are transferred is also debt excluded; or
- the transferred amount is de minimis, i.e., represents less than \$.01 on the prior fiscal year's tax rate.

In both cases, the excess proceeds had to result from reasonable, good faith actions on the part of the treasurer and other local officials in issuing the debt, i.e. not intended to create available funds for other spending purposes.

If the project into which the debt excluded proceeds are transferred is not also debt excluded, a new debt exclusion vote may request exclusion of the transferred proceeds emphasizing in the vote the original exclusion and change of purpose.

#### Funded Through Other Revenues

If the debt service for the project is funded through user fees, betterments or other local revenues, a community has the option to exclude a lesser amount by reporting the principal and interest net of the local revenue.

#### Enterprise Fund

For a community operating an enterprise fund ([G.L. c. 44, § 53F½](#)) or special revenue fund (water per [G.L. c. 41, § 69B](#), others by special acts): If a community chooses to exclude the gross debt service, it must budget that property tax subsidy to the enterprise fund or special revenue fund. The increase in allowable levy attributable to the exclusion cannot be spent for any other purpose.

### Community Preservation Fund

For a community operating a community preservation fund ([G.L. c. 44B](#)), the debt service must be net of the community preservation monies appropriated for the payment.

### DE-2 and DE-3

[IGR 02-101](#), Proposition 2½ Debt Exclusions, includes procedures and forms to be used by cities and towns with approved debt exclusions for obtaining a determination about the inclusion of cost increases within an exclusion or approval to use an adjusted exclusion schedule.

- C. FY2016 Capital Expenditure Exclusion(s) - For each capital expenditure exclusion approved by the voters, include the amount approved for FY2016 or amount appropriated for the same purpose(s), whichever is less minus any state or federal reimbursement received for each capital acquisition. For this purpose, a capital expenditure is any item that a community could fund by incurring debt under G.L. Ch. 44 §§7 or 8, but has elected to fund by appropriation.

### Funded Through Other Revenues

If the appropriation for the capital acquisition is funded through user fees, betterments, or other local revenues, a community has the option to exclude the lesser amount by reporting the capital expenditure exclusion net of the local revenue.

### Enterprise Fund

For a community operating an enterprise fund ([G.L. c. 44, § 53F½](#)) or special revenue fund (water per G.L. c. [41, § 69B](#), others by special acts): If a community chooses to exclude the gross capital expenditure exclusion, it must budget that property tax subsidy to the enterprise fund or special revenue fund. The increase in allowable levy attributable to the exclusion cannot be spent for any other purpose.

### Community Preservation Fund

For a community operating a community preservation fund ([G.L. c. 44B](#)), the amount reported must be net of the community preservation monies appropriated for the capital acquisition.

- D. FY2016 Stabilization Fund Override - See [IGR 04-201](#) for more details. Despite its placement on the levy limit calculation form, this override cannot increase the levy limit above the FY2016 levy ceiling.
- E. FY2016 Other Adjustment - Applicable amount as adopted by:
1. Special legislation (i.e., Cape Cod Commission assessment, certain Regional Refuse Disposal Management District assessments, etc.).

2. [G.L. c. 111 §127B½](#) for septic system repairs and upgrades, lead paint abatements and underground fuel tank removals treated as betterments.
- F. FY2016 Water / Sewer - Amounts added under G.L. c. [59 § 21C\(n\)](#) for water and sewer debt where rates are reduced by the same amount. See [IGR 93-207](#) for details.
- G. FY2016 Maximum Allowable Levy - Add lines IIIA, IIIB, IIIC, IIID, IIIE and IIIF. This is the maximum amount you may raise in property taxes for FY2016. Your FY2016 tax levy, as reported on the FY2016 Tax Rate Recapitulation form, CANNOT exceed this amount.

#### IV. REPORTING REQUIREMENTS

All Proposition 2½ ballot votes for FY2016 with final voting results (wins and losses) must be certified by the Clerk and should be submitted within two weeks after the election to the Division of Local Services Databank. You may fax them to 617-660-7023, E-mail them to [databank@dor.state.ma.us](mailto:databank@dor.state.ma.us) or mail them to:

Division of Local Services  
Municipal Databank  
P.O. Box 9569  
Boston, Mass. 02114-9569

To correctly certify your FY2016 levy limit, include the following with your FY2016 Tax Rate Recapitulation form unless previously provided to the Division of Local Services:

- A. New Growth - Tax Base Growth Report (LA-13) in accordance with departmental guidelines.
- B. Amended New Growth - Amended Tax Base Levy Growth Report (LA-13A) in accordance with departmental guidelines.
- C. Overrides
  1. New ballot questions, certified by the Clerk, including date of election and number of votes for and against.
  2. Please identify that the ballot question is an override.
  3. Copy of the appropriation for the purpose if the override is specific rather than general in nature.
  4. Copy of the annual Board of Selectmen's, Town Council's or City Council's (with the Mayor's approval if required by law) vote to "appropriate" any of the additional capacity resulting from the special purpose stabilization fund override.

D. Debt Exclusions

1. New ballot question, certified by the Clerk, including date of election and number of votes for and against.
2. Schedule DE-1 “Debt Exclusion Form”.
3. Debt schedule for new excludable debt obligations.
4. Schedules DE-2 and/or DE-3, if applicable.
5. Any additional schedule(s) or letter(s) in accordance with departmental guidelines (e.g., settlement sheet for calculation of net debt exclusion when there is a bond premium, special worksheet for bond premium amortization, etc.).

E. Capital Expenditure Exclusions

1. New ballot question, certified by the Clerk, including date of election and number of votes for and against.
2. Please identify that the ballot question is a capital exclusion.
3. Copy of appropriation(s) vote(s) for the purpose(s) stated in the ballot question.