Kensington Residents,

The following question and answer document will hopefully provide an explanation to the questions many of you have and provide some insight as to what impacts your tax bill.

My valuation went down but my tax bill is higher, why?

Your property values are only one side of the tax equation. The other side is the total amount the town is responsible to raise in taxes. Property valuations determine how the total tax burden of the town is spread out among its residents. The total dollars to be raised is the tax burden of the entire town which has to be paid. Although the valuations of many properties decreased due to the full revaluation, the amount of money we are responsible to appropriate through taxes increased from 2012 to 2013. For 2013 the total tax appropriation for Kensington to be raised was $7,277,281. For 2012 the total taxes to be raised was $6,915,817. The $361 thousand increase from last year is attributed to the following:

- **The largest reason for the increase is that this is the first year in quite a while that the town did not offset the tax burden by dipping into the general reserve. For 2012, the town used $214k to offset tax appropriations.**
- The town's operating budget and total warrant articles increased by $67k from last year. Although we operated on a default budget for 2013, it was still more than the previous year's budget. Contractual obligations that need to be paid increased. These are amounts we cannot decrease.
- Revenues for the town decreased by $31k.
- The total amount to be raised for schools (local, coop and state) increased by $30k.
- The amount the town has to put aside for assessing overlay increased by $28k.

Why is the tax rate so much higher than last year?

There are 2 reasons the rate is higher.

- The first reason is due to the town's revaluation. As mentioned above, the total valuations of properties in town decreased. When the valuations go down the rate goes up. It has to go up because the tax burden still has to be raised. From the standpoint of the entire town, the lower valuations do not impact the taxes to be raised. The rate goes up to offset the decrease in valuations. **The impact to the tax rate for this amounted to $3.44. Again, this does not translate to higher taxes; it is only the result of the valuations going down. When values go down, the rate has to go up in order to get to the total tax appropriation needed as discussed above.**

- The second reason the rate went up is because the amount to be appropriated went up (as discussed in the earlier question). **If we did not have a full revaluation, the rate would have been $21.11.** This is an increase of approximately $1.03. This $1.03 is attributable to an increase taxes to be raised. This is lower than last year's increase. For comparison purposes the change from 2011 to 2012 was $1.88. ($18.87 to $20.08)

Last Year's Tax Rate		This Year's Tax Rate		This Year's Tax Rate without Revaluation	
Town	2.96	Town	4.53	Town	3.89
County	0.90	County	1.09	County	0.94
Local	13.98	Local	16.50	Local	14.19
State	2.24	State	2.43	State	2.09
Total	**20.08**	**Total**	**24.55**	**Total**	**21.11**

How is the tax rate determined?

Our tax rate is determined by taking the total tax needed to be raised and dividing that by the total assessed valuation of all the properties in town. The percentages are then translated into a per thousand dollar rate and shown by category on your tax bill. The sum of all the appropriation categories is the total tax rate per thousand. This tax rate is applied to your property valuation to determine what you are taxed individually. The current rate is $24.55. The amount you pay in taxes is $24.55 for every thousand dollars your property is assessed at.

(How is the tax rate determined? Continued)
Example: A town's total appropriation to be raised is 1 million dollars and the total value of all properties is assessed at 100 million dollars. The total tax rate per thousand would be $10. If you had a house assessed at 100 thousand dollars, with this example tax rate, your tax bill would be a $1,000.

1,000,000/100,000,000 = 0.01 (tax rate)
Town's appropriation to be raised / Town's total assessed valuation = tax rate

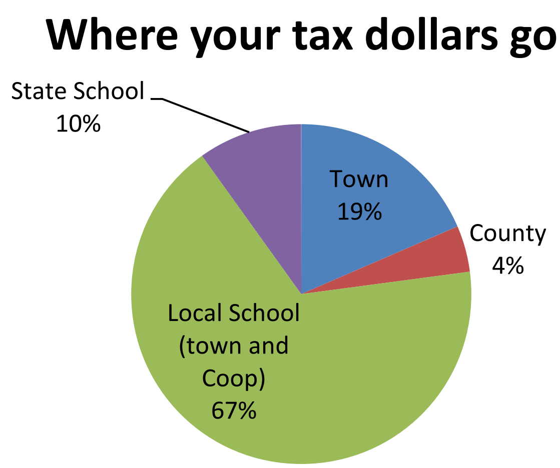
0.01 X 1,000 = $10.00 (per thousand)
Tax rate X 1,000 = total tax rate per thousand

100,000/1,000 = 100. 100 X $10 = $1,000
Individual property assessed value / 1,000 X the tax rate per thousand = total tax

An example using a simplistic valuation with our current tax rate would be: if your property is assessed at $100,000, your tax bill would be $2,455. (100,000/1,000) X $24.55 = $2,455.

Where do our taxes go?
The tax burden for the town of Kensington is $7,277,281. Our taxes go to pay for costs of the following categories: (included are the 2013 dollar amounts to be raised and percent of our total tax burden each is attributed to) * Note that the amount to be raised for the town is the operating budget, plus additional money warrant articles less any revenue.

- Town of Kensington $1,347,406* = **18.5%**
- County $325,139 = **4.4%**
- Local School Effort (town and coop) $4,906,014 = **67.2%**
- State School Effort (school $ to the state) $698,722 = **9.9%**



What did the full revaluation of all properties accomplish?
Property assessments are done to ensure the tax burden of the town is dispersed proportionately across all the residents fairly based on the valuation of their properties. Property values are based on market sales within the town of comparable properties. Housing market changes impact the values of our homes. Many of you already know that the market changes faster than the tax assessments are performed. The Town contracts Avitar, an assessing company, to perform assessments of properties throughout the year. The assessing company visits a certain amount of homes each year. We do the Cylindrical Evaluation which is a 5 year cycle that has homes visited once in the 5 year period, except for building permits. Every five years all the properties are assessed at one time. This helps to bring all properties in line with the current market.

How did the revaluation impact my taxes?
As stated above the revaluation as a whole does not impact the amount of taxes to be raised for the town. However, property valuations did not all move by the same amount. These differences in value changes caused a redistribution of tax burden across the residents. Some may have been paying more proportionally to their valuation and others less. The revaluation puts us all back on a level playing field. Overall, property values decreased about 13%. This does not mean all property values went down 13%. Some values went up, some went down by a small amount and others decreased by more than 13%. This means tax bills changed differently for residents based on the change to the valuation of their individual property. Some had bills that went down or stayed flat, many had increases in tax bills. It is all proportionate to the valuation of your individual properties.

Example: *A larger home valued at $800,000 before the revaluation may have reduced in valuation by 20% to $640,000 because the market on these types of homes has gone down more than those of lesser value. Contrast that to a smaller home worth about $300,000 with a valuation reducing it by 10% to $270,000. In this example, if the market is better for lower priced homes (easier to sell because more buyers are looking for homes in this price range), the valuation did not go down as much. The individual tax burden determined by the rate per thousand and property valuation has fluctuated where the lower priced home now pays a larger piece of the "tax pie" than before in relation to the higher priced home.*

What impacts our overall tax bill?
Your tax bill is determined by the amount the town needs to raise for tax appropriations and the value of your property. So simply put, there are 2 ways the amount you pay for taxes can change. Either the valuation of your property changes or the amount we need to appropriate.

Valuations are done by a contracted company that is monitored by the state. They use market based data and formulas to ensure that everyone is assessed in a fair and equitable manner. However, mistakes do happen. It is important for you to review the data closely. If you think there is an error, file for abatement. When they do a full reval in town, take advantage of the open office hours held in town to discuss your valuation. It is very important that you allow them to assess the inside of your home when asked to get an accurate assessment, otherwise they have to make assumptions and this can often result in a valuation of the home that may be higher than if they had been able to assess the inside.

As stated above, the Town of Kensington is responsible for raising over 7 million dollars in tax appropriations. Over 5 and a half million of this is for local, coop and state school tax appropriations. Over 1 million is to cover the town's operations and a small portion of our appropriation is for county tax obligations. As these change, so does your tax bill.

What is the town's general fund balance/reserve?
Any surplus money from the town's operating budget that is not used during that year goes into the general fund reserve. Often, this balance is referred to as a "rainy day fund". It cannot be used for the operating budget and grows over time. Each year when the state provides the final amounts that town's need to appropriate to set the tax rate, the Board of Selectman can decide if they want to use some of this general fund balance to offset the taxes to be raised. This minimizes the impact of the increasing rates and keeps the tax burden change as flat as possible.

It was noted in the first question that the Town had used the general reserve fund balance to help offset increases in tax appropriations for the past several years. This is the first time in many years that the Board has decided not to do this. The state recommends we keep this fund at certain levels, generally between 5 and 20 percent of the total taxes to be appropriated. For the past several years we have been maintaining the fund balance close to 8 percent of the tax appropriation. This year, if we had applied any of the fund balance we would have dipped closer to the 5% threshold, which is the minimum recommended level. Going too low impacts our ability to react to emergencies and could also impact our rate for bonds. The town is not bankrupt or out of money, but we do have to hold money in the general reserve and this year the Board felt we could not offset the tax increase by tapping into this reserve as we have been doing.

The tax rate increase is mostly attributed to the fact that the Board wanted to keep this fund reserve at 5% of tax appropriations and did not use the fund balance to offset tax burden. In years past, had we not used the fund balance to pay down the tax appropriation the rate would have increased more.

(What is the town's general fund balance/reserve?continued)

We recognize that this caused a bit of "sticker shock" when the tax bills came out which was exacerbated by the revaluation rate. The town cannot offset every increase for tax appropriations. As costs of services for the town, county, school and state go up we need to cover those costs with our taxes. Without large revenue streams, or a large commercial tax base this burden falls on the residents.

Although it may come as little consolation, it is important to note that the rate increase this year excluding the revaluation change (which does not impact the overall tax burden), was still less than last year's increase and last year we used the fund balance to offset some of that rate increase. ($1.04 increase this year to $1.88 last year)

What is a money Warrant Article?

A warrant article is when, by either resident petition or proposal by the Town, the residents are asked to raise and appropriate funds for a specific reason. The money for warrant articles is raised through taxes. Warrant articles result in a higher tax appropriation for the residents.

What is the assessing overlay?

The assessing overlay is money that is set aside and determined by the town, with the help of the assessing company and feedback from the assessing department. This usually is only for the abatements or abatement appeals that are foreseen. This overlay amount is part of the total tax appropriation. The reason we held over more this year than in recent years is that having a full revaluation, we anticipate a larger amount of abatements and need to hold some money in reserve in the event that abatements are granted.

What is the town's operating budget?

The town's operating budget is the amount of money that is used to conduct the daily operations of the municipality. The budget is broken up into categories by department to manage more easily. The bottom line number is what the Town has to manage to. Each year, the Board of Selectman asks the department heads to submit the budget proposals for the upcoming year. The Board of Selectman reviews the budget proposals and makes changes as appropriate. Certain contractual obligations cannot be changed. This is what drives the default budget. The default budget is the same budget as the year prior adjusted for increases in contractual obligations.

What can residents do to control our taxes?

If you have concerns, suggestions or solutions regarding the operating budget, there are opportunities to get involved. Board of Selectman meetings, public hearing(s) for the operating budget, Deliberative session and finally at the town meeting on election day are all venues to participate in the process for the operating budget. However, as noted earlier, the operating budget is only one piece of the total tax burden. If you want to impact your tax bill, understand where your taxes are going and get involved in all aspects.