

What is Proposition 2 ½?

Proposition 2 ½ is the title given to an initiative adopted by voters in Massachusetts in 1980. The principal features are related to the total amount of property taxes which a city or town can raise each year.

It contains two limitations on the amount of property taxes to be raised.

1. The property tax “levy ceiling” (the amount raised) can never exceed 2 ½% of the total full and fair cash value of a town. A tax rate cannot be higher than \$25 per \$1,000 of valuation
2. The “levy limit” cannot be increased more than 2 ½% over the prior year’s levy limit. An allowance for New Growth and Debt Exclusions, Overrides are amendments to the original law. Debt Exclusions and Overrides must be approved by the voters.

Other provisions included:

- Auto excise reduced from 6.6% to 2.5% (\$25 per \$1,000 of value)
- Prohibits unfunded mandates
- Allows for a deduction of rent on personal income taxes
- Abolished School Committee fiscal autonomy, but they retained line item autonomy.
- Forced revaluations by assessors to maintain fair and full cash values

Prior to passage of Proposition 2 ½, budgets were “expenditure” driven. After Proposition 2 ½, budgets are “revenue” driven. It lowered a towns budget funded by property taxes but it also increased user fees.