

Understanding Your Quarterly Tax Bill

The municipal fiscal year begins on July 1st and runs through June 30th. Each fiscal year's operations budget is approved by the residents of Orleans at the annual town meeting that is held in May. From time to time, special town meetings to approve additional funding for the fiscal year are held in October, after the fiscal year has already started. To fund these operations, real estate and personal property tax bills are issued to all property owners. Orleans taxpayers historically have paid two real estate and personal property tax bills per fiscal year: one that was due around November 1st and another that was due May 1st. Both of these bills were for the same amounts. This is what is known in Massachusetts as semi-annual tax billing.

At the May 2018 annual town meeting, the residents of Orleans approved a warrant article to change from a semi-annual billing cycle to a quarterly billing cycle. This changes the frequency with which bills are paid and the amounts that you're going to see on the bills.

First important note: While the town has changed to a quarterly billing cycle, we will **not** be mailing four separate tax bills out to taxpayers. Instead, the town will do two mailings and each mailing will contain payment coupons for **two** quarterly tax bills. It is very important that you remember that there are two payment coupons in each of these mailings! You will still be liable for interest and penalties if you forget to pay the second quarter because you were waiting for another bill that isn't coming in the mail.

The Q1 and Q2 preliminary tax bills will be mailed out on July 1st. Q1 will be due on August 1st and Q2 will be due on November 1st. Preliminary bills are tax bills that are issued based on the prior fiscal year's assessed values and tax rate.

The Q3 and Q4 actual tax bills will be mailed out on December 31st. Q3 will be due on February 1st and Q4 will be due on May 1st. Actual bills are tax bills that are issued based on the current fiscal year's newly-certified assessed values and tax rate.

Second important note: Because your property's assessment and the town's tax rate change every fiscal year, it is almost certain that your Q1 and Q2 preliminary tax bills will not be the same amounts as your Q3 and Q4 actual tax bills. Whether the actual bills will be higher or lower than the preliminary bills will depend entirely on 1.) how much spending the town voters approve and 2.) how much property values change.

Here's a breakdown on how it works.

Bob Smith owns a property located at 123 Cape Cod St. in Orleans, MA. For FY2018, his property was assessed at \$550,000. In Orleans, the tax rate for FY2018 was \$5.00 per \$1,000 of assessed value.

$\$550,000 \times \$5.00 / 1,000$ gives us a real estate tax bill of \$2,750.00 for FY2018. Add the 3% CPA charge ($\$2,750.00 \times 3\% = \82.50) to it and we get \$2,832.50 as the total amount Mr. Smith owes for FY2018.

Since Orleans was a semi-annual community for FY2018, he was issued two tax bills of \$1,416.25 with the first due November 1, 2017 and the other due May 1st, 2018.

Now we arrive at FY2019 and Orleans has switched to quarterly tax billing. Mr. Smith will receive two preliminary tax bills on July 1st that are based on FY2018's values and tax rate.

Q1 and Q2 will take the second half payment Mr. Smith paid in FY2018, \$1,416.25, and split it into two quarterly payments. The payment due August 1, 2018 will be \$708.13 and the payment due November 1, 2018 will be \$708.12.

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On November 1, 2018, Orleans receives certification of its FY2019 assessed values. A week later, it receives approval of its new tax rate. These are the figures we will use to arrive at the total amount of real estate tax Mr. Smith owes for FY2019.

For FY2019, his property's assessment increased 2% to \$561,000. Additionally, Orleans' FY2019 tax rate has increased to \$5.50 per \$1,000 of assessed value.

$\$561,000 \times \$5.50 / 1,000$ gives us a real estate tax bill of \$3,085.50 for FY2019. Add the 3% CPA charge ($\$3,085.50 \times 3\% = \92.57) to it and we get \$3,178.07 as the total amount Mr. Smith owes for FY2019.

Third important note...and this one is super important! Mr. Smith has already paid \$1,416.25 of his FY2019 tax with the Q1 and Q2 preliminary bills, so the Q3 and Q4 actual bills will cover the balance he owes for FY2019. $\$3,178.07 - \$1,415.25$ gives us a remaining FY2019 balance of \$1,762.82. This is the amount that will be split between the Q3 and Q4 actual bills.

On December 31, 2018, Mr. Smith will receive the Q3 and Q4 actual tax bills. One will be due February 1, 2019 in the amount of \$881.41 and the other will be due May 1, 2019 in the amount of \$881.41.

Going forward, Mr. Smith should expect his Q1 and Q2 preliminary tax bills every year to be the same amounts he paid for Q3 and Q4 of the prior fiscal year, while his Q3 and Q4 actual bills will either be higher or lower than the preliminary bills depending on how his property's assessment and Orleans' tax rate change.

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Bob Smith, owner of 123 Cape Cod St., Orleans, MA, 02653

Tax rates and values used are hypothetical

FY2018		
Tax Rate (per \$1,000 of value)	\$5.00	
Assessed Value	\$550,000	
Real Estate Tax	\$2,750.00	
CPA (3% of RE Tax)	<u>\$82.50</u>	
Total Tax Bill	\$2,832.50	
1st Half (due 11/1/17)	\$1,416.25	
2nd Half (due 5/1/18)	<u>\$1,416.25</u>	
Total	\$2,832.50	
FY2019		
Tax Rate (per \$1,000 of value)	\$5.50	
Assessed Value	\$561,000	
Real Estate Tax	\$3,085.50	
CPA (3% of RE Tax)	<u>\$92.57</u>	
Total Tax Bill	\$3,178.07	
1st Quarter (due 8/1/18)	\$708.13	↪ Half of FY2018 2nd Half
2nd Quarter (due 11/1/18)	\$708.12	↪ Half of FY2018 2nd Half
3rd Quarter (due 2/1/19)	\$880.91	↪ Half of remaining balance
4th Quarter (due 5/1/19)	<u>\$880.91</u>	↪ Half of remaining balance
Total	\$3,178.07	
FY2020		
Tax Rate (per \$1,000 of value)	\$6.00	
Assessed Value	\$572,000	
Real Estate Tax	\$3,432.00	
CPA (3% of RE Tax)	<u>\$102.96</u>	
Total Tax Bill	\$3,534.96	
1st Quarter (due 8/1/19)	\$880.91	↪ Same as FY2019 3rd Quarter
2nd Quarter (due 11/1/19)	\$880.91	↪ Same as FY2019 4th Quarter
3rd Quarter (due 2/1/20)	\$886.57	↪ Half of remaining balance
4th Quarter (due 5/1/20)	<u>\$886.57</u>	↪ Half of remaining balance
Total	\$3,534.96	