

# Tax Commitment and Mil Rate Presentation



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# Introduction to a Municipal Budget

## What is a municipal budget?

All of the expenses and revenues that the Town of Newcastle needs to provide quality services for its citizens for a full fiscal year

## What is a Fiscal Year?

The Town's Fiscal Year is July 1st–June 30th

The “Year” is represented by the last day of that fiscal year.

Example: Fiscal Year 2025 goes from July 1, 2024 to June 30, 2025

# Introduction to a Municipal Budget

## What is the property tax rate?

The Town calculates taxes by dividing the net of expenditures minus non-property tax revenues by the total assessed value of the town.



# Mil rate calculation explained

The Municipal / School / County Budget (minus non-property tax revenues)

divided by: The Taxable Assessed Value (also called the mil rate)

## **What is the Mil Rate?**

The Mil Rate is the property tax rate per \$1000 of property value. For Fiscal Year 2025, the Mil Rate is \$13.60

Example: The Median Home assessed value for all residential properties in Newcastle was \$377,700.

$\$377.70 \times \$13.60 = \$5,136.72$

or \$428.06 per month

# These three budget categories are reflected in municipal tax bills



Municipal



County



Education

# These three budget categories are reflected in municipal tax bills



The municipal budget includes administration, infrastructure (roads, facilities, equipment), planning and development, public safety, and public services (law enforcement not included).



The county budget includes administration, law enforcement and corrections, communications, emergency management, judicial services, and the registry of deeds.



The education budget includes elementary and secondary education as well as the administrative offices of the superintendent.

# These three budget categories are reflected in municipal tax bills

Three primary functions as a percent of the FY25 Fiscal Year Approved Budget:



32.42%



7.48%



60.10%



## Budget increases or decreases affect the mil rate

The FY25 expenditure budget increase was nearly \$600k. So what drove the budget increase?

An 18% increase on the GSB school budget (~325k), a 23% increase in Public Works (~150k) - mostly for a snow plowing contract, an 8.5% increase in reserves (~85k) - mostly to address additional capital road improvements, and a reduction in the amount of reserves used to cover operating expenses.

Of the nearly 1,639 tax bills, 106 saw a decrease in their tax bill.

The average change from year to year was a tax bill increase of 19% (this average also includes some properties there were completed construction projects, etc and were 120%+ increases, so the number is skewed slightly high)

# Why do towns conduct an assessing revaluation?

Below is an excerpt from the Maine Municipal Assessing Manual:

*An analysis of sales might show that most parcels in each neighborhood are assessed equitably but that there is wide variance in the assessments between neighborhoods.*

*Such an analysis also might show that cheaper properties are consistently assessed proportionately higher than more expensive places. Only by such analysis can the assessor find out how good or how bad the quality of the assessments is.*

*If the assessor finds that the assessments are bad, it is his or her responsibility to correct the inequalities. If they are localized because of area changes, those areas should be reviewed. If widespread variations appear, a revaluation is in order.*

## How does a revaluation affect the mil rate?

A revaluation, in addition to bringing values back to within 10% of the market rate, was meant to address disparities in types of housing and locations (ie - waterfront properties were paying less than they should have the last few years compared to homes / land without waterfront).

In Newcastle, the average assessed value increased by 40% this fiscal year.

The argument could be made that if your assessed value increased by more than 40%, you were not paying enough of the share of the budget in prior years. This revaluation corrected that disparity.

If you believe your assessment is inaccurate, please call the office to speak with the assessor's agent Jim Murphy. He is in the office on Monday's and can review the information with you.

## Assessment of properties for this fiscal year

This year there were 120 parcels (11%) that were at or below an 18% increase in value and of those 27 parcels actually saw a decrease in their value (2.5%). (They were paying too much of the share of the budget in previous years)

With the revaluation increasing the overall value of Newcastle plus new construction, the mil rate which is developed by dividing the budget by assessed value went from 16 in FY24 to 13.6 in FY25.

So, with a decrease mil rate, why would taxes increase? The increase in the budget by 10% still has to be paid for somehow. That plus the correction of types of housing and location of properties made some properties responsible for more, but it's now fair and just based on what the market is demanding.

# How do we pay for all this?

In Maine, primarily with property taxes.

Assessed value for FY25 in Newcastle is just over \$467 million

The total annual budget for the town is about \$7.9 million

And about \$6.3 million of that will need to be paid with property taxes.

Simplified math:  **$\$6,500,000 / \$460,000,000 = .01398$**

(or \$13.98 per thousand of value) (NOTE: current mill rate is actually \$13.60)

Median Home (simplified)  $378 \times 13.98 = \$5,284.44$  or \$440.37 per month

# So, Municipal government is in the real estate business?

In a state where property taxes are heavily relied on, one could argue, yes.

While it is always prudent to keep an eye on the operating budget and to ensure efficient use of taxpayer dollars....

What ultimately keeps the mil rate stable while continuing to providing quality service to the residents is for municipalities to see a rate of 'improvements' (new construction/building permits) that is in line with or occasionally outpacing that of the cost of operations.

If you have any questions or concerns please feel free to contact Town Manager Kevin Sutherland @[townmanager@newcastlemaine.us](mailto:townmanager@newcastlemaine.us), Assessors' Agent Jim Murphy @[assessor@newcastlemaine.us](mailto:assessor@newcastlemaine.us) or call the Town Office 207-563-3441.