

Memo

To: Jeremy Gabrielson, Finance Chairman
From: Matthew Sturgis, Town Manager
CC: File
Date: April 27, 2021
Re: Tax Rate Impact Components

In light of last night's discussion on the components of the tax rate and how they combine to an overall increase, one needs to see how the math functions. In this light, below is a breakdown of the impact of each component of the tax rate and the combination of each segment to show the ultimate increase on the overall rate.

The illustrations below will show how the municipal, county, and school rates combine to form the overall rate, and how each component interacts with the others to impact the rate. As you will see the three elements do not accumulate at equal proportion to the tax rate impact due to differences in each in relation to the tax rate. With the school portion at 75.63% of the overall rate, the school funding has the greatest impact on the Town's tax rate, followed by the Town portion at 20.05% and finally by the County at 4.32%.

Below is the anticipated tax rates and increase amounts and percentages, the percentage to the overall rate, and an explanation of how each component combines with the others to combine for the overall increase currently estimated to be 3.41%.

Municipal Increase: \$3.99 to \$4.13 for \$0.14 increase of 3.51%
 County Increase: \$0.87 to \$0.89 for \$0.02 increase of 2.30%
 School Increase: \$15.06 to \$15.58 for \$0.52 increase of 3.45%

Of the tax rate breakdown, the percentage of the rate is determined by dividing the individual rates by the total tax rate, as illustrated below:

Municipal Rate: $\$4.13 / \$20.60 = 20.05\%$
 County Rate: $\$0.89 / \$20.60 = 4.32\%$
 School Rate: $\$15.58 / \$ 20.60 = 75.63\%$

To understand how each contributes to the overall percentage increase of 3.41% you multiply the percentage of each component by the percentage change for each and then add these components together as illustrated below:

Municipal Increase: $3.51\% \times 20.05\% = 0.703\%$
 County Increase: $2.30\% \times 4.32\% = 0.099\%$
School Increase: $3.45\% \times 75.63\% = 2.609\%$
 Tax Rate Increase: 3.411%