

Proposition 2 ½ Override: Questions and Answers

After participating in two (2) joint meetings with the Finance Committee and the School Committee, the Select Board signaled its intent to give the taxpayers an opportunity to decide a Proposition 2 ½ override question in May to address the growing structural deficit projected in both the school and municipal operating budgets in FY2026. The Proposition 2 ½ override request, **\$3,950,000**, has been calculated to address shortfalls in both operating budgets.

The purpose of this document is twofold: to explain the process involved in a Proposition 2 ½ override, and to demonstrate the financial impact to the taxpayers in Hudson. Recognizing that some readers may be most interested in the impact to their taxes, the link below provides access to an online calculator made available by the Division of Local Services (DLS).

[ONLINE TAX IMPACT CALCULATOR \(DIVISION OF LOCAL SERVICES\)](#)

Below is the real estate tax impact for the average single-family home in Hudson:

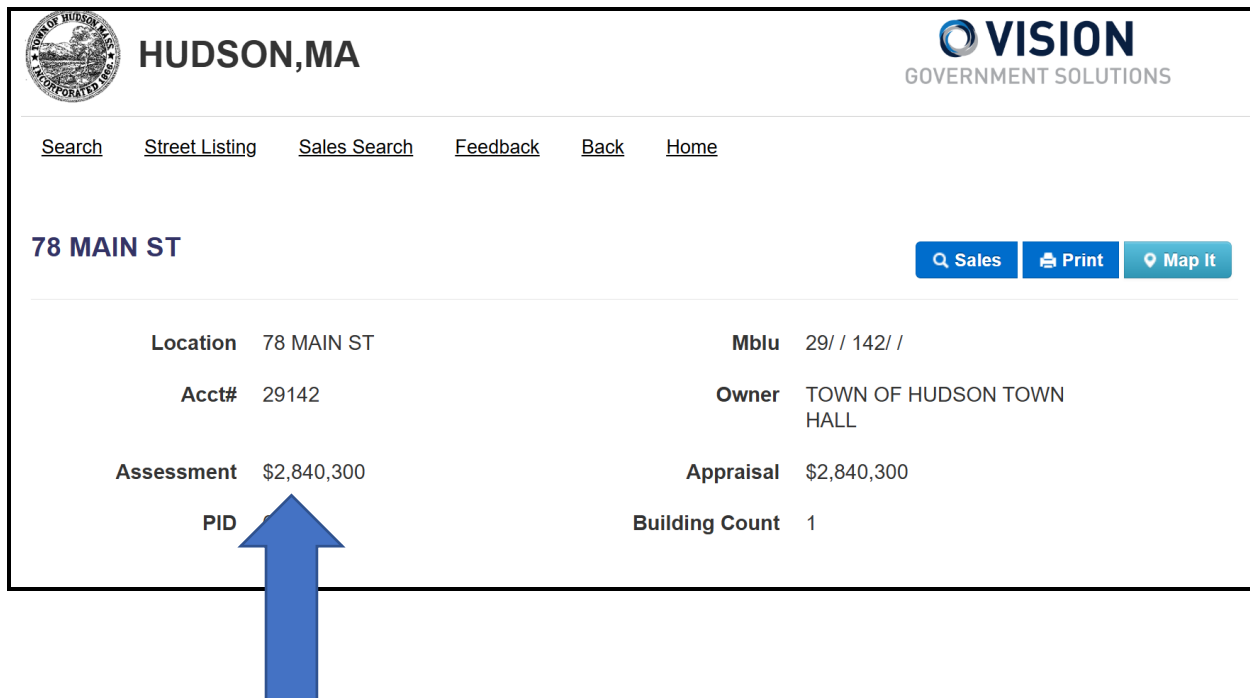
- 2025 Average Single-Family Assessed Value: **\$586,519**
- 2025 Average Single-Family Tax Bill: **\$8,141**
- Tax Increase of a \$3,950,000 override (in FY2025 dollars): **\$480.95 in addition to the \$8,141**
- The chart below shows how the override would impact a range of single-family values:

Tax Impact of a \$3,950,000 Proposition 2 1/2 Override			
Assessed Value	Current Estimated Tax Bill	Proposed Estimated Tax Bill	Estimated Tax Bill Impact
\$250,000	\$3,470	\$3,675	\$205
\$350,000	\$4,858	\$5,145	\$287
\$450,000	\$6,246	\$6,615	\$369
\$550,000	\$7,634	\$8,085	\$451
\$650,000	\$9,022	\$9,555	\$533
\$750,000	\$10,410	\$11,025	\$615
\$850,000	\$11,798	\$12,495	\$697
\$950,000	\$13,186	\$13,965	\$779
\$1,050,000	\$14,574	\$15,435	\$861
\$1,150,000	\$15,962	\$16,905	\$943
\$1,250,000	\$17,350	\$18,375	\$1,025
\$1,350,000	\$18,738	\$19,845	\$1,107
\$1,450,000	\$20,126	\$21,315	\$1,189
\$1,550,000	\$21,514	\$22,785	\$1,271

How Do I Find the Assessed Value of my Home?

Please Note: The assessed values shown here are only as of value certification at the end of December 2024. Some values may change, or have, due to back-end system updates. Please take that into consideration when utilizing this tool - it is an estimate only. If you have questions or concerns, please click on the following link: [Contact Assessor's Department](#).

To find the assessed value of your home, visit the Hudson Assessor's page [here](#). In the search field under Property Lookup, type in your address to find your property. After you enter your address, the screen below should appear showing your property's current assessed value:



The screenshot shows the Hudson, MA Assessor's website. At the top left is the Hudson, MA seal. To its right is the text "HUDSON, MA". At the top right is the "VISION GOVERNMENT SOLUTIONS" logo. Below the header is a navigation bar with links: Search, Street Listing, Sales Search, Feedback, Back, and Home. The main heading is "78 MAIN ST". To the right of this heading are three buttons: "Sales", "Print", and "Map It". Below the heading is a table of property details:

Location	78 MAIN ST	Mblu	29/ / 142/ /
Acct#	29142	Owner	TOWN OF HUDSON TOWN HALL
Assessment	\$2,840,300	Appraisal	\$2,840,300
PID		Building Count	1

A large blue arrow points upwards from the bottom of the page towards the PID field in the table.

What is Proposition 2½? ([Click Here for a Short Video](#))

The Proposition 2½ statute, approved by Massachusetts voters in 1980 and first implemented in fiscal 1982, limits the amount of revenue a city or town may raise, or levy, from local property taxes each year to fund municipal operations. The law (G.L. Ch. 59, Sect. 21C) places two constraints on the amount of property taxes a city or town can levy:

1. A community cannot levy more than 2.5 percent of the total full cash value of all taxable property in the community (called the levy ceiling).
2. A community's allowable levy for a fiscal year (called the levy limit) cannot increase by more than 2.5 percent of the maximum allowable limit for the prior year, plus certain allowable increases such as new growth from property added to the tax rolls.

It is important to understand that the Proposition 2 ½ tax cap was never intended to be a threshold which implied that communities which spend over this cap are overspending. The tax cap was chosen as a mechanism to give the taxpayers the authority to decide themselves whether additional taxes would be needed to be raised in a particular year. Likewise, it is important to

understand that this tax cap does not adjust for periods of high inflation. And, this is the first Proposition 2 ½ override request in Hudson since 1995.

What is a Levy?

The property tax levy is the revenue a community can raise through real and personal property taxes. The document will refer to the property tax levy simply as the levy. In Massachusetts, municipal revenues to support local spending for schools, public safety and other public services are raised through the property tax levy, state aid, local receipts and other sources. The property tax levy is the largest source of revenue for most cities and towns, including for Hudson.

What is a Levy Ceiling? What is a Levy Limit?

Proposition 2½ places constraints on the amount of the levy raised by a city or town and on how much the levy can be increased from year to year. A levy limit is a restriction on the amount of property taxes a community can raise. Proposition 2½ established two types of levy limits: First, a community cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property in the community- the **levy ceiling**. Second, a community's levy is also constrained in that it can only increase by a certain amount from year to year- **the levy limit**. The levy limit will always be below, or at most, equal to the levy ceiling. The levy limit may not exceed the levy ceiling. Proposition 2½ does provide communities with some flexibility. It is possible for a community to levy above its levy limit or its levy ceiling on a temporary basis (debt exclusion), as well as to increase its levy limit on a permanent basis (override).

How is a Levy Ceiling Calculated? ([Click Here for a Short Video](#))

The levy ceiling is determined by calculating 2.5 percent of the total full and fair cash value of taxable real and personal property in the community:

- Full and Fair Cash Value x 2.5% = LEVY CEILING
- Full and Fair Cash Value = \$100,000,000
- \$100,000,000 x 2.5% = \$2,500,000

In this example, the levy ceiling is \$2,500,000.

How is a Levy Ceiling Changed?

The total full and fair cash value of taxable real and personal property in a community usually changes each year as properties are added or removed from the tax roll and market values increase or decrease. This also changes the levy ceiling.

How is a Levy Limit Calculated? ([Click Here for a Short Video](#))

A levy limit for each community is calculated annually by the Department of Revenue. It is important to note that a community's levy limit is based on the previous year's levy limit and not on the previous year's actual levy. Each step in the example below is detailed in other sections of this primer. A levy limit is calculated by:

Taking the previous year's levy limit and increasing it by 2.5%:		
A. FY2007 Levy Limit		\$1,000,000
B. (A) x 2.5%	+	\$25,000
Adding to the levy limit amounts of certified new growth added to the community's property tax base:		
C. FY2008 New Growth	+	\$15,000
Adding to the levy limit amounts authorized by override votes:		
D. FY2008 Override	+	\$100,000
E. FY2008 Subtotal (A+B+C+D)	=	\$1,140,000
Comparing the FY2008 levy limit to the FY2008 levy ceiling and applying the lesser number (compare E and F):		
F. FY2008 Levy Ceiling		\$2,500,000
<u>\$1,140,000</u>		
Applicable FY2008 Levy Limit		
(Lesser of E and F)		

This community's levy limit, the maximum amount in real and personal property taxes it can levy, is \$1,140,000 for FY2008. How much of this amount the community actually wants to use — that is, the amount of the levy — is up to the discretion of local officials. The community can levy up to or at any level below the entire levy limit amount, regardless of what its levy was in the previous year.

How is a Levy Limit Increased?

The levy limit is increased from year to year as long as it remains below the levy ceiling. Permanent increases in the levy limit result from the following:

- **Automatic 2.5 percent increase.** Each year, a community's levy limit automatically increases by 2.5 percent over the previous year's levy limit. This does not require any action on the part of local officials; the Department of Revenue calculates this increase automatically.
- **New Growth.** A community is able to increase its levy limit each year to reflect new growth in the tax base. Assessors are required to submit information on growth in the tax base for approval by the Department of Revenue as part of the tax rate setting process.
- **Overrides.** A community can permanently increase its levy limit by successfully voting an override. The amount of the override becomes a permanent part of the levy limit base.

How Can a Community Levy Taxes in Excess of its Levy Limit or Levy Ceiling?

A community can assess taxes in excess of its levy limit or levy ceiling by successfully voting a debt exclusion or capital outlay expenditure exclusion. The amount of the exclusion does not become a permanent part of the levy limit base, but allows a community to assess taxes for a certain period of time in excess of its levy limit or levy ceiling for the payment of certain debt service costs or for the payment of certain capital outlay expenditures. Large school and municipal building projects are typically funded via debt exclusion borrowings.

What is New Growth? ([Click Here for a Short Video](#))

Proposition 2½ allows a community to increase its levy limit annually by an amount based on the increased value of new development and other growth in the tax base that is not the result of revaluation. The purpose of this provision is to recognize that new development results in additional municipal costs; for instance, the construction of a new housing development may result in increased school enrollment, public safety costs, and so on. New growth under this provision includes:

- Properties that have increased in assessed valuation since the prior year because of development or other changes.
- Exempt real property returned to the tax rolls and new personal property.
- New subdivision parcels and condominium conversions.

New growth is calculated by multiplying the increase in the assessed valuation of qualifying property by the prior year's tax rate for the appropriate class of property. Any increase in property valuation due to revaluation is not included in the calculation.

What is an Override? ([Click Here for a Short Video](#))

Proposition 2½ allows a community to assess taxes in excess of the automatic annual 2.5 percent increase and any increase due to new growth by passing an override. A community may take this action as long as it is below its levy ceiling, or 2.5 percent of full and fair cash value. An override cannot increase a community's levy limit above the level of the community's levy ceiling. When an override is passed, the levy limit for the year is calculated by including the amount of the override. The override results in a permanent increase in the levy limit of a community, which as part of the levy limit base, increases at the rate of 2.5 percent each year. Override ballot questions must be presented in dollar terms and must specify the purpose of the override.

What Has to Happen for the Override to Take Effect?

For the override to take effect on July 1, 2025, two hurdles will need to be cleared: first, Budget "B", the "override budget", on the Annual Town Meeting Warrant will need to be approved, and second, a majority of voters will need to approve the override ballot question at the May 12, 2025 Annual Town Election. If the ballot question fails, Budget "A", the "no-override budget", on the Annual Town Meeting Warrant will take effect on July 1, 2025.

How Much is the Override that has Been Proposed?

The total override that is being proposed is \$3,950,000. This is a general operational override split between the municipal government and the Hudson Public Schools.

Why Is Hudson Proposing an Override?

The Town of Hudson and the Hudson Public School budgets each have structural deficits as each rely on one-time funds to balance the budget as opposed to solely relying on recurring revenue streams. Further, the cost of operations continue to outpace available revenues, and without an override these deficits will grow and service cuts will be required. In the post-pandemic economic environment, significant increases have been incurred in health insurance and general insurance premiums, utility expenses, and the costs of goods and services. The School Department is experiencing steep cost increases in school transportation and out-of-district placements, among other increases. This override is designed to fund service levels that this community expects while taking into account the expected cost increases to provide these services.

How Was the Override Calculated?

Of the total \$3,950,000 override request, \$3,300,000 is being requested by the Hudson Public Schools. This request is being presented after the School Department has committed to cut over \$1M from their original FY2026 budget request. The additional amount is intended to restore positions proposed to be cut in the municipal budget if the override fails, as well as eliminate the use of approximately \$325,000 in Free Cash (i.e., reserves) to balance the FY2026 operating budget. With the intention to keep the override amount lower, this override covers the projected FY26 budget gaps and does not address future budget gaps anticipated for FY27 and beyond. Absent of new revenue from the Commonwealth, the municipal and school operating budgets will likely need reductions to be balanced in future years. Town and School officials will continue to communicate with legislators and advocate for increased state funding.

How Do Hudson's Taxes Compare With Our Neighbors?

The chart below shows the FY2025 average single-family tax bill of twenty-seven (27) communities along Route 495. Hudson is shown in blue. Communities which maintain a split tax rate are identified with an asterisk.

Municipality	SF Values	SF Parcels	Avg SF Value	Avg SF Tax Bill	SF Tax Bill as % of Value	DOR Income Per Capita	Avg Tax Bill as a % of Income
Sherborn	\$1,573,483,300	1,339	\$1,175,118	\$19,483	1.66	\$328,012	5.94
Wayland	\$4,658,343,110	4,078	\$1,142,311	\$17,854	1.56	\$227,716	7.84
Acton	\$4,360,653,200	5,013	\$869,869	\$14,918	1.72	\$92,784	16.08
Bolton	\$1,436,830,700	1,751	\$820,577	\$13,638	1.66	\$99,220	13.75
Medfield	\$3,469,837,100	3,526	\$984,072	\$13,580	1.38	\$136,384	9.96
Boxborough	\$1,091,843,600	1,219	\$895,688	\$13,561	1.51	\$92,804	14.61
Stow	\$1,600,056,200	2,132	\$750,495	\$13,074	1.74	\$96,844	13.50
Westborough	\$2,976,784,578	3,938	\$755,913	\$12,314	1.63	\$80,712	15.26
Norfolk	\$2,269,829,023	3,199	\$709,543	\$11,331	1.60	\$74,137	15.28
Natick	\$7,493,865,000	8,536	\$877,913	\$10,500	1.20	\$80,295	13.08
Holliston	\$3,212,490,718	4,552	\$705,732	\$10,339	1.47	\$80,153	12.90
Littleton*	\$2,158,259,800	3,106	\$694,868	\$10,326	1.49	\$75,339	13.71
Millis	\$1,369,588,075	2,263	\$605,209	\$9,925	1.64	\$59,944	16.56
Maynard*	\$1,465,887,100	2,698	\$543,324	\$9,687	1.78	\$51,469	18.82

Northborough	\$2,709,302,150	4,080	\$664,045	\$9,463	1.43	\$76,367	12.39
Berlin*	\$561,540,880	851	\$659,860	\$9,363	1.42	\$60,934	15.37
Medway	\$2,433,640,200	3,762	\$646,901	\$9,218	1.43	\$65,077	14.16
Foxborough*	\$2,841,800,582	4,401	\$645,717	\$8,536	1.32	\$74,729	11.42
Shrewsbury	\$6,671,990,030	9,438	\$706,928	\$8,511	1.20	\$72,635	11.72
Hopedale*	\$752,556,920	1,479	\$508,828	\$8,452	1.66	\$49,114	17.21
Wrentham*	\$2,594,425,989	3,678	\$705,390	\$8,175	1.16	\$74,021	11.04
Hudson*	\$2,621,738,699	4,470	\$586,519	\$8,141	1.39	\$49,853	16.33
Franklin	\$5,277,279,400	7,767	\$679,449	\$7,895	1.16	\$64,184	12.30
Framingham*	\$8,842,532,036	13,539	\$653,116	\$7,798	1.19	\$47,632	16.37
Milford*	\$3,052,259,400	5,932	\$514,541	\$6,586	1.28	\$39,858	16.52
Marlborough*	\$4,187,826,700	7,058	\$593,345	\$5,850	0.99	\$42,729	13.69
Bellingham*	\$2,244,722,825	4,884	\$459,607	\$5,773	1.26	\$42,868	13.47

What Happens if the Override Does Not Pass?

If the override does not pass for FY2026, school and municipal budgets will continue to rely on non-recurring revenues to balance the respective budgets exacerbating the existing structural deficit. Cuts in personnel will occur in both budgets should the override not pass. For the school department specifically, personnel reductions will dramatically increase class sizes (average of 28-30 students per class) and limit the availability of programming for students at all levels. Programs that enhance student learning and post-graduation opportunities like dual language education; engineering, technology, and biomedical courses; early college courses; world language courses; fine and performing arts experiences; and after school opportunities, including athletics, will be reduced or eliminated. These reductions are not sustainable and would leave the School Department in a dysfunctional state. Therefore, there is the expectation that an override request of a similar amount would be requested again at a subsequent Town Meeting.

I am a Senior Citizen and I am Concerned about the Impact that the Override will have on my Tax Bill. What Resources may be available for me?

The Hudson Board of Assessors is available for inquiries relative to real estate exemptions that may be available to eligible seniors. You can reach Board of Assessors at (978) 568-9620. Additionally, a new Senior Work-Off Program is being developed and will be presented at the Annual Town Meeting in May.

Where Can I Learn More?

In addition to information about Town Meeting that will be posted to the [Town's Website here](#), you can attend upcoming budget meetings of both the Select Board, School Committee, and Finance Committee during January, February, and March (see [Calendar](#) for upcoming meetings). Additionally, inquiries may be made by contacting the Executive Assistant's Office at 978-562-9963 or tgregory@townofhudson.org; or the Superintendent of Schools Office at 978-567-6100 ext. 41129 or bkreagan@hudson.k12.ma.us.

Resources: [Division of Local Services | Mass.gov](#); www.mma.org