

How Exemptions Affect the Tax Rate

Each year, the tax rate is set based on the amount of money needed to be raised by taxes (known as the Tax Effort) and the total assessed valuation of properties in Town. Let's look at the tax rate breakdown for 2020:

Municipal Tax Rate Calculation			
Jurisdiction	Tax Effort	Valuation	Tax Rate
Municipal	\$3,055,300	\$544,678,795	\$5.61
County	\$618,124	\$544,678,795	\$1.13
Local Education	\$7,974,236	\$544,678,795	\$14.64
State Education	\$970,532	\$534,592,995	\$1.82
Total	\$12,618,192		\$23.20

As you can see, the valuation of the Town was \$544,678,795. The tax effort is broken down by the municipal, county, local education, and State education budgetary needs. To calculate the municipal tax rate per thousand, divide the tax effort by the valuation, multiply by 1,000:

$$3,055,300 \div 544,678,795 = 0.0056093 \times 1,000 = 5.61 \text{ (rounded)}$$

This repeats for each jurisdiction. The individual tax rates are added to create the Town's tax rate for the year. Side note- the State education tax rate is calculated using the valuation of the town minus utility values.

The Sawyer Lake District has their jurisdiction's tax rate added in as well for a total tax rate of \$24.98:

Village Tax Rate Calculation			
Jurisdiction	Tax Effort	Valuation	Tax Rate
Sawyer Lake	\$96,779	\$54,370,102	\$1.78
Total	\$96,779		\$1.78

Where do exemptions come in?

To start, let's explain what an exemption is. An exemption is an amount deducted from a property's assessed value. If a property has an assessed value of \$250,000 with an exemption of \$100,000, the value used to calculate taxes would be \$150,000. Here's how a tax bill would differentiate from someone having the same value with no exemption:

	Assessment	X	Tax rate per thousand	=	Total Tax Bill
Exemption:	150,000	X	.02320	=	\$3,480.
No Exemption	250,000	X	.02320	=	\$5,800

You've been hearing how exemptions raise the tax rate, but how do we know this? Now that you know the basics of how a tax rate is set and what exactly an exemption is, we can go into how exemptions raise the tax rate. It's pretty simple, actually. As we saw above, the net valuation of the town was \$544,678,795. This number is the valuation after exemptions. The total valuation is calculated, the exemptions are deducted, then the tax rate is set. The gist of it- the higher the exemption amount, the lower the net valuation, the higher the tax rate.

For fun at home, play around with the calculations. Divide the tax effort by a higher valuation and see what the rate does.