

# Proposition 2½:

Keeping Property Taxes Low Since 1980

by Jared Walczak



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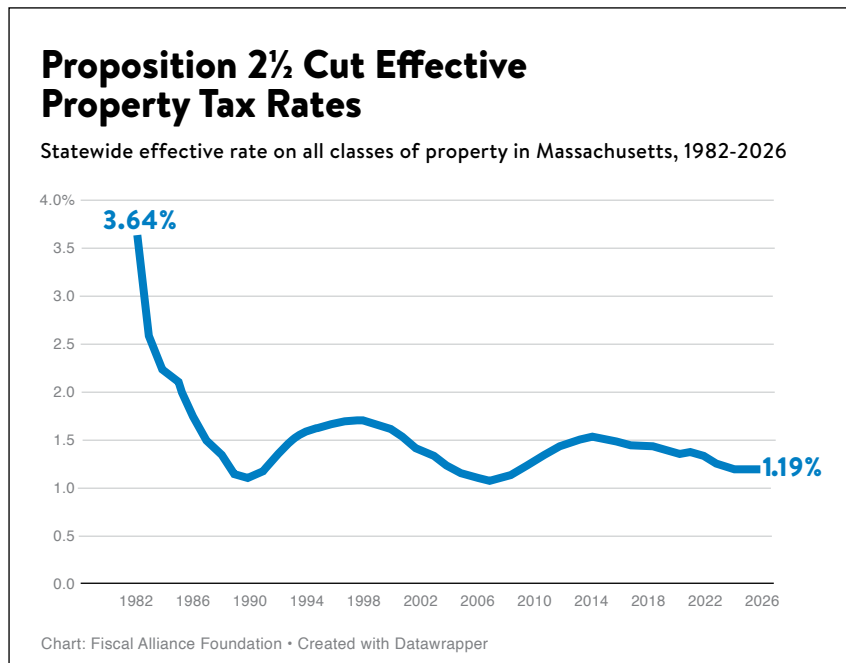
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### Introduction

Forty-six years ago, Massachusetts residents approved Proposition 2½ by a vote of 59-41 percent.<sup>1</sup> In the final year under the old system, residential property faced an effective tax rate of 3.72%.<sup>2</sup> Today, thanks in large part to the law's rate caps and levy limits, effective rates have fallen to 1.04%.<sup>3</sup> To put this more concretely: the property tax bill for the median Massachusetts single-family home is \$6,896.<sup>4</sup> If taxed at pre-Proposition 2½ rates, tax liability would be an eye-watering \$24,613.



More broadly, the statewide average effective rate on all property—residential, commercial, industrial, open space, and personal—has declined from 3.64% to 1.19% since Proposition 2½'s first year, 1982.

<sup>1</sup> Secretary of the Commonwealth of Massachusetts, "Massachusetts Statewide Ballot Measures: 1919-Present," <https://www.sec.state.ma.us/divisions/elections/research-and-statistics/balmresults.htm>.

<sup>2</sup> That is, the annual burden was 3.72% of the market value of the home, equal to 37.2 mills on a base of full market value.

<sup>3</sup> Citizens Economic Research Foundation and Citizens for Limited Taxation, "Proposition 2½ 20 Years Later" (Boston: Lane & Co., 2001), [https://cltg.org/cltg/Prop\\_2/report\\_prop20.pdf](https://cltg.org/cltg/Prop_2/report_prop20.pdf); author's calculations using data from the Massachusetts Department of Revenue.

<sup>4</sup> Median home price based on housing data published by Zillow Research, <https://www.zillow.com/research/data/>. Massachusetts single-family home estimate as of November 2025.

**Proposition 2½ isn't the only reason rates have fallen, but it is the primary one.** Municipal governments may have reduced levies to some degree on their own in response to rising assessed values and new construction. But Proposition 2½ was a watershed moment in Massachusetts tax history, yielding dramatic relief for homeowners. It capped rates, prohibited school committees from raising property taxes, and—the focus of this analysis—capped the growth of property tax collections. Before Proposition 2½, Bay State property tax burdens were 287 percent higher than the national average. While Massachusetts' property taxes are still well above the national average, they now exceed it by far less—about 30 percent.<sup>5</sup>

Today, Proposition 2½ is under assault. Boston Mayor Michelle Wu has been outspoken in her criticism of the law, calling for its protections to be repealed. <sup>6</sup>In a recent report, the Massachusetts Municipal Association advocated for the loosening of Proposition 2½'s rules.<sup>7</sup> Critics of the measure contend that it is too restrictive, favoring revisions to allow higher property taxes.

These critics overstate the restrictions of Proposition 2½, which still permits property tax burdens well above the national average. But they are correct in identifying the law's significance: it is the only thing standing between Massachusetts homeowners and dramatically higher property taxes. Homeowners' current property tax bills are 19 percent lower, on average, than if the law had been repealed a decade ago.

This paper explains how Proposition 2½ works and explores the law's effects statewide and in ten municipalities chosen to represent the Commonwealth's geographic and economic diversity: Agawam, Barnstable, Beverly, Boston, Concord, Holden, Lenox, North Reading, Rochester, and Sturbridge.

**Before Proposition 2½, Bay State property tax burdens were 287 percent higher than the national average. While Massachusetts' property taxes are still well above the national average, they now exceed it by far less—about 30%.**

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<sup>5</sup> U.S. Federal Reserve Board, Financial Accounts of the United States (Z1), <https://www.federalreserve.gov/releases/z1/>; author's calculations.

<sup>6</sup> Niki Griswold, "Boston Mayor Michelle Wu Calls for State to Repeal Prop 2½ Law Limiting Annual Increases in Property Tax Collection," Boston Globe, Oct. 24, 2025, <https://www.bostonglobe.com/2025/10/24/metro/michelle-wu-repeal-prop-2-12-law/>.

<sup>7</sup> Massachusetts Municipal Association, "Navigating the Storm: Charting a Course Toward Fiscal Stability," Dec. 2025, <https://www.mma.org/resources/a-perfect-storm-cities-and-towns-face-historic-fiscal-pressures/>.

## How Proposition 2½ Works

**Proposition 2½ imposes two constraints on the tax levy:** a levy ceiling (the absolute cap) of 2.5 percent of the total full and fair cash value of all taxable property in the community and a levy limit (the annual cap) under which the tax levy cannot increase by more than 2.5 percent over the prior year's levy limit. The levy ceiling cannot be exceeded, whereas the levy limit is subject to voter override.<sup>8</sup>

The levy ceiling was significant in the early years of Proposition 2½, when many municipalities imposed rates well above the absolute cap. Local governments were required to reduce property taxes by at least 15 percent each year until they reached the maximum allowable rate of 2.5 percent.<sup>9</sup> Due to the measure's success, no local jurisdiction comes close to the absolute cap today, and the levy limit is now the relevant operational constraint.

A key goal of Proposition 2½'s levy limits is to rein in unlegislated tax increases that arise from surging valuations. When assessed values increase, an identical rate yields higher tax burdens on the same properties. These automatic tax hikes are constrained by Proposition 2½. The levy limit also restricts property tax rate increases to the extent that they would increase revenue above the limit. In years with meaningful valuation increases, levy limits roll back rates to avoid a jurisdiction-wide tax increase above the limit. When valuations are stagnant, levy limits constrain rate increases.

**A key goal of Proposition 2½'s levy limits is to rein in unlegislated tax increases that arise from surging valuations.**

Because new homes and businesses impose new costs, any new construction is outside the limit. In fact, as will be discussed later, the way Proposition 2½ excludes new growth from the levy limit is quite generous to municipalities, and can yield greater tax increases than might be expected from a 2.5 percent cap.

Additionally, Proposition 2½ provides for voter overrides. Voters can authorize a temporary exclusion of debt or capital outlay expenditures, permitting the municipality to assess taxes in excess of its levy limit for a limited time to cover debt service or capital expenditures.<sup>10</sup> They can also adopt a permanent increase in the levy limit.<sup>11</sup>

8 M.G.L.A. 59 § 21C.

9 Helen F. Ladd, Julia Boatright Wilson, "Proposition 2½ : Explaining the Vote," Lincoln Institute of Land Policy, April 1982, <https://files.eric.ed.gov/fulltext/ED213100.pdf>, 1.

10 Massachusetts Division of Local Services, "Levy Limits: A Primer on Proposition 2½," Massachusetts Department of Revenue, <https://www.mass.gov/doc/levy-limits-a-primer-on-proposition-2-12-0/download>, 7.

11 The law permits "underrides" as well as overrides, with underrides permanently decreasing the levy limit, though these are uncommon. Just 22 underride votes have passed, for total statewide levy limit reductions of \$11 million. By contrast, there have been 1,916 successful override votes increasing levy limits by \$919 million statewide. See Massachusetts Division of Local Services, "Proposition 2½ Override and Underride Votes," [https://dls-gw.dor.state.ma.us/reports/rdPage.aspx?rdReport=Votes.Prop2\\_5.OverrideUnderride](https://dls-gw.dor.state.ma.us/reports/rdPage.aspx?rdReport=Votes.Prop2_5.OverrideUnderride).

Each community’s levy limit represents the maximum amount it is permitted to collect in property taxes. Annual levy limits are calculated by taking the previous year’s levy limit and increasing it by 2.5 percent, then adding the amount that any new construction would have generated under the prior year’s rates. Finally, any overrides are added, yielding the total allowable levy.

Crucially, a municipality’s levy limit reflects the maximum amount it is permitted to collect. Should local officials choose to impose a lower rate than required by Proposition 2½, their decision does not sacrifice future levy capacity. If a jurisdiction was permitted to raise \$50 million this year but chose tax rates that only yielded \$45 million, next year’s levy limit would be calculated against the allowable \$50 million, not the actual \$45 million.

**To use Boston as an example:<sup>12</sup>**

<b>FY 2025 Levy Limit</b>	<b>\$3,359,275,911</b>
+ 2.5% Increase	\$83,981,898
+ New Growth	\$78,096,665
+ 2026 Overrides	\$0
<b>= 2026 Levy Limit</b>	<b>\$3,521,354,474</b>

Boston was permitted to increase revenues by up to \$162 million over the prior year, and notably, new growth accounted for only about half of that. Because property values declined after years of dramatic increases, Boston’s rates jumped to capture the revenue growth permitted under the levy limit—and might well have risen even higher absent that constraint. Residential rates increased from 11.58 to 12.40 mills (that is, \$12.40 per \$1,000 in taxable value, or a rate of 1.24 percent).<sup>13</sup> In Boston, however, a residential exemption reduces taxable value below total assessed value, so the 12.40 mill rate is not applied to the full value of residential property.

Boston, notably, has never had an override, even though 255 of Massachusetts’ 351 municipalities have adopted at least one.<sup>14</sup> Had voters approved one for 2026, it would be added to the prior year’s levy limit as part of the calculation of the new levy limit. At that point, it would be “embedded” in the prior year’s levy limit and would not need to be added again.

<sup>12</sup> Massachusetts Division of Local Services, Limit Report for the City of Boston, <https://dls-gw.dor.state.ma.us/gateway/dlspublic/levylimitpublicreport/levylimitpublic>.

<sup>13</sup> City of Boston, “Residential & Commercial Tax Rates,” December 2025, [https://www.boston.gov/sites/default/files/file/2025/12/FY26%20Tax%20Rate%20History\\_1.pdf](https://www.boston.gov/sites/default/files/file/2025/12/FY26%20Tax%20Rate%20History_1.pdf).

<sup>14</sup> Massachusetts Division of Local Services, “Proposition 2½ Override and Underride Votes,” [https://dls-gw.dor.state.ma.us/reports/rdPage.aspx?rdReport=Votes.Prop2\\_5.OverrideUnderride](https://dls-gw.dor.state.ma.us/reports/rdPage.aspx?rdReport=Votes.Prop2_5.OverrideUnderride).

Temporary exclusions for debt service and capital expenditures, by contrast, are added to the total each year they are in place, but are not made a permanent part of the levy limit for subsequent years’ calculations.

Overrides can be meaningful and are approved with some frequency. Since 1990, Massachusetts voters have weighed in on 4,627 permanent override requests, approving 1,916 of them (41 percent) for aggregate increases of \$919 million.<sup>15</sup> This, however, understates the net effect of those overrides, since they are embedded in levies against which future limits are calculated. In aggregate, Massachusetts’ overrides (and a small number of underrides) increase collections by about \$1.41 billion a year. Because of these overrides, collections are 6.21 percent higher statewide than they would be otherwise.

Proposition 2½ has other provisions as well, which would also be undone with its repeal. The measure reduced the annual vehicle excise tax by 62 percent, prohibited unfunded state mandates on localities, created a renters’ income tax deduction, and eliminated school districts’ ability to raise taxes on their own.<sup>16</sup>

## Proposition 2½ Is not That Restrictive

Critics of Proposition 2½ often present it as far more restrictive than it really is. In a set of recommendations released in December 2025, for instance, the Massachusetts Municipal Association referred to the constraints of Proposition 2½ as “unreasonable in an environment of inflationary pressures and cost drivers ... increasing well above 2.5 percent.”<sup>17</sup> But Proposition 2½ does not limit revenue increases to 2.5 percent, not even on existing properties.

In Boston, Mayor Michelle Wu observed that “[o]f the 43 years that that law has been in place, inflation has been, on average, 25% higher every year, above two and a half percent growth.”<sup>18</sup> But the implicit assumption in her remark is that the law only allows 2.5 percent annual growth. ***This is incorrect.***



### Towns Without Overrides

Acushnet	Lynn
Adams	Malden
Agawam	Marlborough
Amesbury	Methuen
Andover	Middleborough
Ashland	Milford
Attleboro	Millbury
Barre	Monroe
Bedford	Montgomery
Beverly	New Bedford
Billerica	Newburyport
Blackstone	North Adams
Boston	North Brookfield
Brockton	Norton
Brookfield	Oxford
Burlington	Palmer
Cambridge	Peabody
Carver	Petersham
Chelsea	Pittsfield
Chicopee	Plymouth
Clarksburg	Princeton
Dalton	Quincy
Danvers	Revere
Dedham	Rowe
Devens	Russell
Dighton	Salem
Dracut	Saugus
East Bridgewater	Seekonk
East Brookfield	Somerset
Everett	Somerville
Fairhaven	South Hadley
Fall River	Southwick
Fitchburg	Stoughton
Foxborough	Swansea
Freetown	Taunton
Gardner	Tewksbury
Gloucester	Waltham
Granville	Wareham
Hadley	Warren
Hardwick	Watertown
Haverhill	Webster
Hubbardston	West Brookfield
Hull	West Springfield
Lanesborough	Westborough
Lawrence	Westfield
Lenox	Weymouth
Leominster	Wilmington
Lowell	Woburn
Ludlow	

15 Id.

16 Citizens for Limited Taxation, “CLT’s Proposition 2½: What It Does ... And Has Done For Taxpayers Since 1980,” [https://cltg.org/What\\_Prop\\_2\\_Does.pdf](https://cltg.org/What_Prop_2_Does.pdf).

17 Massachusetts Municipal Association, 6.

18 Gintautas Dumcius, “Poking at Prop 2½,” MASter List, Sept. 23, 2025, <https://massterlist.com/p/in-front-of-business-leaders-wu-takes-aim-at-prop-2>.

Like levy limits elsewhere, Proposition 2½ has an exclusion for the value of new property. Such exclusions are important, because new construction and larger populations add to municipal costs. Massachusetts' approach, however, is unusually generous to localities, as it allows substantial "leakage" to higher burdens on existing homes.

Under stricter levy limits often in use elsewhere, new construction is excluded from the calculation of each year's rate adjustment. Under Proposition 2½, the value of the new construction is added to the revenue cap against which each year's rate adjustment is calculated. These approaches may sound similar, but they yield dramatically different results.

Imagine a small hypothetical community of 250 homes, each initially valued at \$200,000, for a total value of \$50 million, taxed at 10 mills to generate \$500,000 in property tax revenue. With no new construction, the subsequent year's property tax collections would be limited to \$512,500 ( $\$500,000 \times 1.025$ ), even if the homes' values increased by more than that—say, to \$55 million. In that case, the rate would have to decline to about 9.3 mills under the Proposition 2½ limit.

Under many other states' levy limits, if a new development worth \$20 million were added, that would not change the calculation. The subsequent year's rate would be based on an increase of no more than 2.5 percent on existing property, so 9.3 mills would be owed on what is now \$75 million in property value—new and existing. The new construction would not reduce rates for existing homeowners, but it would not increase them, either. It is simply excluded from the calculation.

That is not how Proposition 2½ works. Instead, the cap would allow a municipality to raise the amount that it would have under a 2.5 percent increase on existing property (\$512,500) plus what it could raise under the prior year's rates on the \$20 million in new property (\$200,000). Rates would then be adjusted to what is necessary to collect \$712,500 on property now worth \$75 million—which is 9.5 mills, not 9.3 mills.

Under Proposition 2½, owners of those original homes (now valued at \$220,000 each) would owe \$2,090 in property taxes, up from \$2,000 the previous year—a 4.5% increase, not 2.5%. Under the more stringent levy limits that exist in other states, a 2.5% cap on existing property would mean 2.5%, and the increase would only be to \$2,050.

**What looks like a modest difference year-over-year compounds over time.** If

Proposition 2½ had worked the way the MMA report implies over the past two decades, property tax bills overall would be almost 31 percent lower than they are now. Instead of a statewide average rate of 10.42 mills on residential property, that rate would be 7.20. The average rate on all property, including commercial and industrial property, is 11.92 mills in 2026. If Proposition 2½ worked the way the MMA and Mayor Wu suggest, the rate would be 8.28 mills. *(The average effective rate on all classes is higher than the residential rate because commercial property is concentrated in urban areas with higher rates. Within each city and town, rates are the same across classes, though some jurisdictions have residential exemptions that reduce residential effective tax rates.)*

The national average effective rate on all property was 9.19 mills in 2025 compared to 11.97 in Massachusetts that year, meaning that even under Proposition 2½ as it actually functions, property tax burdens in Massachusetts are about 30 percent higher than the national average. Over the past two decades, the average annual growth of property burdens in Massachusetts has been 4.4 percent (nominal), not 2.5 percent.

What the MMA describes (and what many Bay Staters likely believe the measure accomplishes) would have yielded effective rates below the national average. The municipal association describes an austere limit. The real Proposition 2½ is generous to municipalities, meaning that any effort to relax its limits would result in anomalously high property taxes.

The “leakage” of new growth values into tax burdens on existing properties is one reason why proposals to inflation-adjust the Proposition 2½ cap are misguided: the measure already has a backdoor inflation adjustment through how it accounts for new property. Over the past two decades—which included several years of uncommonly high pandemic-era inflation—Massachusetts’ limits yielded the same aggregate statewide growth in property tax burdens as a strict levy limit would have at 2.0 percent plus inflation. Adding an inflation adjustment to this formula is double counting.

## The State Aid Shortfall

**The Massachusetts Municipal Association, in its recent analysis critiquing Proposition 2½, wrote, “Proposition 2½ was intended to limit local spending, but real spending growth of 0.6 percent per year suggests the constraints may be too restrictive,” citing data from 2012 to 2022.** But inflation-adjusted municipal property tax collections rose 2.6 percent during that period,<sup>19</sup> demonstrating that Proposition 2½ is not the reason for tepid growth in real spending.

The MMA also addresses the real culprit—declining state aid—but the focus on Proposition 2½ levy limits as an impediment only underscores its importance. Even though property tax collections are not the problem, local government officials are inclined to raise property taxes above current levels to counteract other constraints, and are only constrained by the levy limit.

The true constraint on local spending is the slow growth of state aid to municipalities, which increased by less than 0.1 percent per year in real terms between 2012 and 2022. This aid constitutes 24.2 percent of local revenue in Massachusetts, compared to a national average of 28.2 percent.<sup>20</sup>

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19 See Massachusetts Division of Local Services, “Tax Levies by Class,” <https://dls-gw.dor.state.ma.us/reports/rdPage.aspx?rdReport=Dashboard.TrendAnalysisReports.TaxLevyByClass>; author’s calculations.

20 U.S. Census Bureau, “Annual Survey of State and Local Government Finances,” <https://www.census.gov/programs-surveys/gov-finances.html>.

State aid accounted for \$11.04 billion in local revenue in 2022, while the property tax generated \$19.77 billion.<sup>21</sup> If Massachusetts funded municipalities at national-average rates, this would have yielded an additional \$1.82 billion, about the same as local governments would collect with a 9 percent property tax increase.

In the most recent year for which data are available (2023), Massachusetts provided local aid equal to \$1,673 per person, well below the national average of \$2,118.<sup>22</sup> At the per capita national average, the Commonwealth's municipal governments would have received an additional \$3.14 billion in 2023, revenue equal to 15 percent higher property taxes.

Property taxes are rising in real terms, but state aid is not, despite the Commonwealth's high state-level tax burdens. Proposition 2½ is the only thing standing in the way of skyrocketing property tax burdens in response to the anemic growth of state aid.

**On average, Massachusetts homeowners pay 19% less in residential property taxes than they would have if the law had been repealed a decade ago, and 22% less than if it had been unavailable for the past two decades.**

## Statewide Tax Burdens Without Proposition 2½

**On average, Massachusetts homeowners pay 19 percent less in residential property taxes than they would have if the law had been repealed a decade ago, and 22 percent less than if it had been unavailable for the past two decades.** Property taxes on the median single-family home are about \$1,618 lower than they would have been had the law's protections expired in 2016, before the recent surge in home values.

If the median household paid property taxes on the median house in Massachusetts, it would take them 20 days to earn enough to cover their property taxes. Had Proposition 2½ been repealed a decade ago, it would take 25 days to pay their property tax bill.

**In other words, thanks to the effects of Proposition 2½ over the past decade, this household gets to spend 5 more days each year working for themselves rather than to pay their property taxes.**

Proposition 2½ did not prevent tax increases. It is not designed to do so. Even after adjusting for inflation, someone who purchased a home in 2016 would pay 16.1 percent higher property taxes on that same home in 2026 than they did a decade earlier (61.4 percent more in nominal terms). But without the rate adjustments required by Proposition 2½, they would be paying 43.4 percent more in real terms (a 99.3 percent nominal increase).

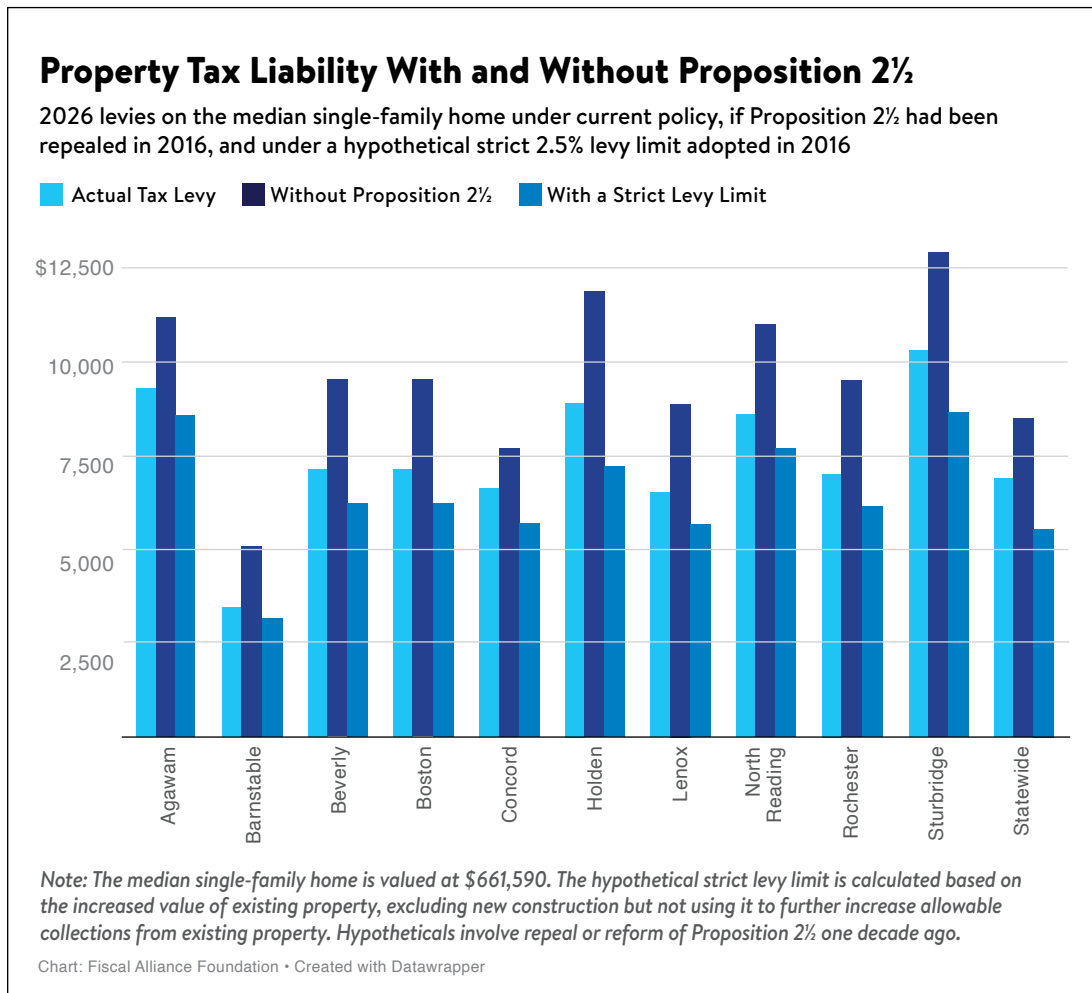
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<sup>21</sup> Id.

<sup>22</sup> Id.

Today, Massachusetts homeowners face an average effective rate of 10.42 mills (1.04%). That is higher than in 2006 (9.44 mills), but lower than in 2016 (12.87 mills). The law does not prevent mill levies from rising, particularly when home values are relatively flat, nor does it prevent an increase in real (inflation-adjusted) tax liability on the same property over time. But it does roll back rates when values rise rapidly, as in recent years, keeping homeowners from paying substantially more for the same property just because property values have increased.

The estimates in this paper assume that municipalities would not have reduced rates on their own during those years, retaining their highest rate from that period. It is possible, of course, that some jurisdictions would have cut rates on their own as values rose, even absent the requirements of Proposition 2½. Prior experience, however, offers little reason to expect this, and local governments’ desire to be unburdened by the law strongly suggests pent-up interest in exceeding its limits. And in many ways, these estimates are conservative because they cannot account for the additional tax increases municipalities may have adopted had they not been constrained by the law.



## Municipal Tax Burdens Without Proposition 2½

To illustrate how Proposition 2½ keeps homeowners’ tax burdens in check, we calculate property tax liability at four home values across ten municipalities: Agawam, Barnstable, Beverly, Boston, Concord, Holden, Lenox, North Reading, Rochester, and Sturbridge. These jurisdictions were selected to provide comparisons spanning the breadth of Massachusetts’ economy and geography.

For each municipality, in addition to the median home tax liability shown above, we consider houses valued at \$200,000, \$500,000, \$800,000, and \$1.5 million. The estimated actual tax liability for 2026 is shown, along with what that same home would have paid in property taxes this year had Proposition 2½ been repealed in 2006 or 2016. To contrast the law’s relatively permissive limits compared to the stricter levy limits found elsewhere, the effects of adopting a strict 2.5% cap as of 2006 or 2016 are also shown.<sup>23</sup>

Agawam		Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
HOME VALUE	Current Tax	2006	2016	2006	2016
\$200,000	\$2,820	\$3,452	\$3,389	\$2,367	\$2,599
\$500,000	\$7,050	\$8,630	\$8,473	\$5,919	\$6,498
\$800,000	\$11,280	\$13,809	\$13,557	\$9,470	\$10,397
\$1,500,000	\$21,150	\$25,891	\$25,419	\$17,756	\$19,494

Barnstable		Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
HOME VALUE	Current Tax	2006	2016	2006	2016
\$200,000	\$1,842	\$2,716	\$2,716	\$1,568	\$1,683
\$500,000	\$3,882	\$5,725	\$5,725	\$3,305	\$3,547
\$800,000	\$8,642	\$12,746	\$12,746	\$7,358	\$7,897
\$1,500,000	\$10,200	\$15,044	\$15,044	\$8,686	\$9,321

<sup>23</sup> Author’s calculations using the Massachusetts Division of Local Services’ assessed values, tax levy by class, tax rates by class, new growth by class, and override and underride votes series. Calculations also take into account residential exemptions in Barnstable, Boston, and Concord.

**Beverly**

HOME VALUE	Current Tax	Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
		2006	2016	2006	2016
\$200,000	\$2,162	\$2,888	\$2,878	\$1,642	\$1,883
\$500,000	\$5,405	\$7,220	\$7,195	\$4,105	\$4,708
\$800,000	\$8,648	\$11,553	\$11,512	\$6,568	\$7,533
\$1,500,000	\$16,215	\$21,661	\$21,585	\$12,315	\$14,125

**Boston**

HOME VALUE	Current Tax	Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
		2006	2016	2006	2016
\$200,000	\$1,846	\$2,453	\$1,963	\$1,055	\$1,339
\$500,000	\$5,566	\$7,396	\$5,918	\$3,182	\$4,037
\$800,000	\$14,246	\$18,929	\$15,147	\$8,143	\$10,333
\$1,500,000	\$18,600	\$24,714	\$19,777	\$10,633	\$13,492

**Concord**

HOME VALUE	Current Tax	Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
		2006	2016	2006	2016
\$200,000	\$726	\$879	\$847	\$524	\$625
\$500,000	\$4,641	\$5,615	\$5,409	\$3,350	\$3,996
\$800,000	\$8,556	\$10,352	\$9,971	\$6,176	\$7,366
\$1,500,000	\$17,691	\$21,403	\$20,617	\$12,770	\$15,230

**Holden**

HOME VALUE	Current Tax	Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
		2006	2016	2006	2016
\$200,000	\$2,696	\$4,049	\$3,605	\$1,952	\$2,178
\$500,000	\$6,740	\$10,122	\$9,012	\$4,880	\$5,446
\$800,000	\$10,784	\$16,195	\$14,419	\$7,807	\$8,713
\$1,500,000	\$20,220	\$30,366	\$27,037	\$14,639	\$16,337

**Lenox**

HOME VALUE	Current Tax	Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
		2006	2016	2006	2016
\$200,000	\$1,970	\$2,937	\$2,691	\$1,532	\$1,714
\$500,000	\$4,925	\$7,342	\$6,728	\$3,830	\$4,284
\$800,000	\$7,880	\$11,747	\$10,765	\$6,129	\$6,854
\$1,500,000	\$14,775	\$22,026	\$20,184	\$11,491	\$12,852

**North Reading**

HOME VALUE	Current Tax	Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
		2006	2016	2006	2016
\$200,000	\$2,604	\$3,378	\$3,335	\$1,752	\$2,326
\$500,000	\$6,510	\$8,445	\$8,338	\$4,381	\$5,815
\$800,000	\$10,416	\$13,512	\$13,342	\$7,010	\$9,305
\$1,500,000	\$19,530	\$25,336	\$25,015	\$13,143	\$17,446

<b>Rochester</b>		Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
HOME VALUE	Current Tax	2006	2016	2006	2016
\$200,000	\$2,118	\$3,187	\$2,878	\$1,506	\$1,864
\$500,000	\$5,295	\$7,968	\$7,195	\$3,764	\$4,660
\$800,000	\$8,472	\$12,748	\$11,512	\$6,022	\$7,457
\$1,500,000	\$15,885	\$23,903	\$21,585	\$11,292	\$13,981

<b>Sturbridge</b>		Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
HOME VALUE	Current Tax	2006	2016	2006	2016
\$200,000	\$3,120	\$4,229	\$3,915	\$2,307	\$2,621
\$500,000	\$7,800	\$10,572	\$9,786	\$5,768	\$6,551
\$800,000	\$12,480	\$16,916	\$15,658	\$9,228	\$10,482
\$1,500,000	\$23,400	\$31,717	\$29,359	\$17,303	\$19,654

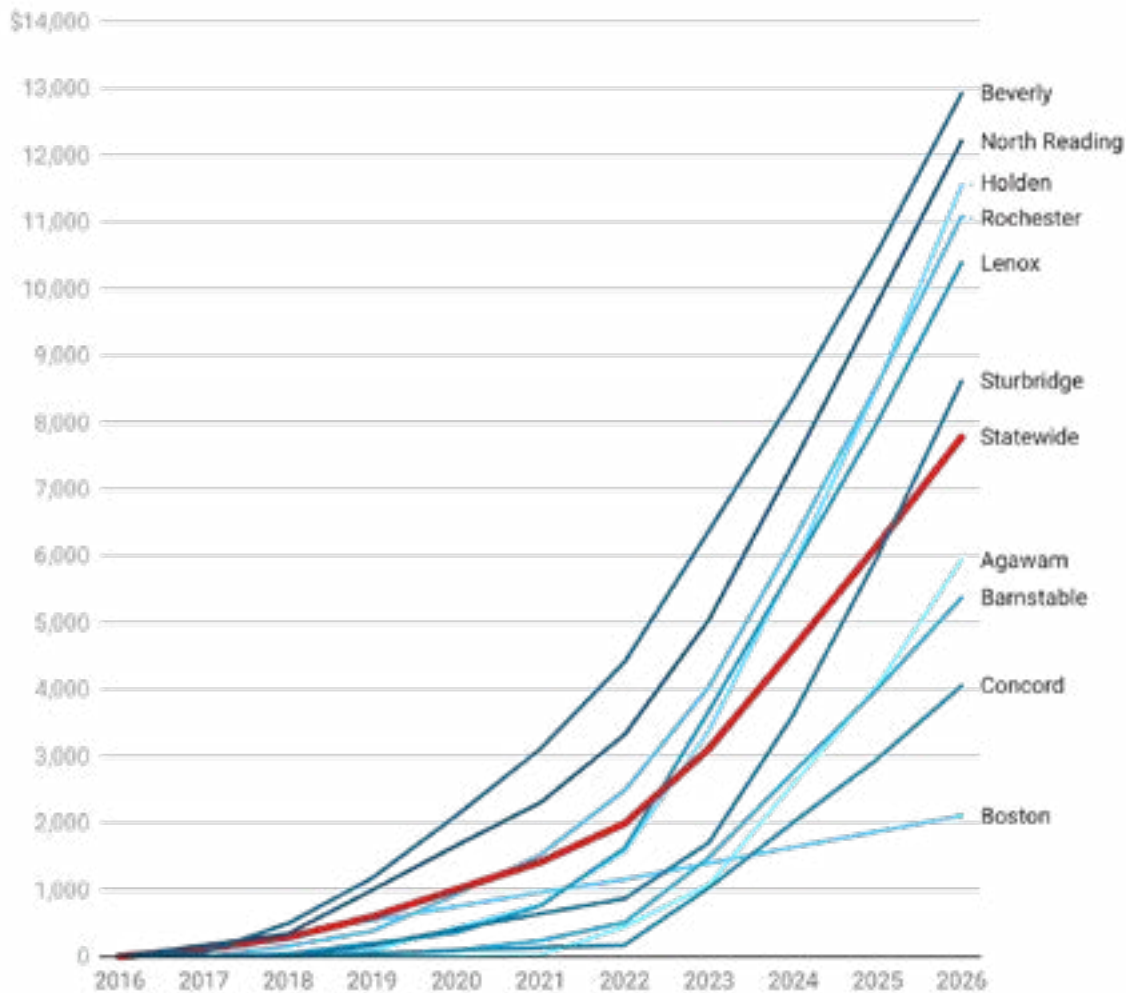
<b>Statewide Average</b>		Prop 2 1/2 Repealed In...		Strict Cap Adopted In...	
HOME VALUE	Current Tax	2006	2016	2006	2016
\$200,000	\$2,084	\$2,668	\$2,574	\$1,440	\$1,668
\$500,000	\$5,210	\$6,670	\$6,435	\$3,600	\$4,170
\$800,000	\$8,336	\$10,672	\$10,296	\$5,760	\$6,672
\$1,500,000	\$15,630	\$20,010	\$19,305	\$10,800	\$12,510

## Cumulative Savings Under Proposition 2½

Without the protections of Proposition 2½, Massachusetts homeowners would have paid an additional \$1,176 in real terms per \$100,000 in current home value over the past decade. That represents \$7,780 in savings over the decade on the median single-family home value of \$661,590. Among municipalities considered in this analysis, cumulative savings since 2016 on the median home range from \$1,997 in Boston to \$12,927 in Beverly.

### A Decade's Worth of Proposition 2½ Tax Savings

Cumulative tax savings in real (inflation-adjusted) terms since 2016, median home value



Note: Tax levy is calculated based on the price of the median single-family home (\$661,590) in current dollars. Calculations take residential exemptions in Barnstable, Boston, and Concord into account.

Chart: Fiscal Alliance Foundation • Source: Author's calculations using the Massachusetts Division of Local Services' assessed values, tax levy by class, tax rates by class, and new growth by class. • Created with Datawrapper

Conversely, if the law's caps imposed a strict 2.5% limit, the median homeowner would have enjoyed an additional \$6,948 in inflation-adjusted tax savings. Among the eight jurisdictions surveyed, these additional savings would have ranged from \$0 in Lenox (where new construction levels were such that the strict cap and the actual cap yield identical limits) to \$11,380 in Holden.

Interestingly, while Boston officials have been particularly critical of Proposition 2½, its effects there have been quite modest, since the value of new growth has increased burdens on existing properties as well. The primary benefit for Boston homeowners is not the law's automatic rate rollbacks but rather its safeguards against further tax hikes.

The table below shows cumulative ten-year savings for the ten examined jurisdictions under Proposition 2½.

## Cumulative 10-Year Savings Under Proposition 2½

Inflation-Adjusted Tax Savings Since 2016, Through Tax Year 2026

MUNICIPALITY	Current Assessed Value			
	\$200,000	\$500,000	\$800,000	\$1,500,000
Agawam	\$1,796	\$4,489	\$7,183	\$13,468
Barnstable	\$261	\$3,396	\$7,310	\$16,443
Beverly	\$3,908	\$9,770	\$15,631	\$29,309
Boston	\$129	\$1,133	\$3,063	\$7,566
Concord	\$410	\$2,831	\$5,253	\$10,904
Holden	\$3,491	\$8,728	\$13,965	\$26,185
Lenox	\$3,141	\$7,854	\$12,566	\$23,561
North Reading	\$3,693	\$9,233	\$14,772	\$27,698
Rochester	\$3,350	\$8,375	\$13,400	\$25,125
Sturbridge	\$2,605	\$6,511	\$10,418	\$19,534
<b>Statewide</b>	<b>\$2,352</b>	<b>\$5,879</b>	<b>\$9,407</b>	<b>\$17,638</b>

Sources: Massachusetts Division of Local Services' assessed values, tax levy by class, tax rates by class, new growth by class, and override and underride votes series; author's calculations.

These savings are substantial, and they have helped close the gap between Massachusetts and other states. But Massachusetts still imposes above-average property tax rates, and Proposition 2½ should not be mistaken for a strict levy limit, notwithstanding the rhetoric of those wishing to limit its impact. The table below shows the additional cumulative tax savings homeowners in each municipality could have expected if the law contained a hard 2.5% annual cap on additional revenue from existing property.

## Additional Savings Under a Hypothetical Hard Cap

Inflation-Adjusted Tax Savings Since 2016, Through Tax Year 2026

MUNICIPALITY	Current Assessed Value			
	\$200,000	\$500,000	\$800,000	\$1,500,000
Agawam	\$1,256	\$3,141	\$5,025	\$9,422
Barnstable	\$62	\$750	\$1,675	\$3,834
Beverly	\$1,482	\$3,706	\$5,930	\$11,118
Boston	\$362	\$3,111	\$8,535	\$21,191
Concord	\$372	\$2,753	\$5,133	\$10,687
Holden	\$3,440	\$8,601	\$13,762	\$25,803
Lenox	\$0	\$0	\$0	\$0
North Reading	\$1,343	\$3,357	\$5,372	\$10,072
Rochester	\$1,335	\$3,337	\$5,340	\$10,012
Sturbridge	\$2,430	\$6,076	\$9,721	\$18,228
<b>Statewide</b>	<b>\$2,101</b>	<b>\$5,251</b>	<b>\$8,402</b>	<b>\$15,754</b>

Note: Lenox's new construction is such that a stricter cap would not have imposed any further limit.

Sources: Massachusetts Division of Local Services' assessed values, tax levy by class, tax rates by class, new growth by class, and override and underide votes series; author's calculations.

## Conclusion

**Proposition 2½ has provided Massachusetts homeowners with decades of meaningful relief.** It is not the aggressive restraint on cities and towns that opponents claim it to be; even with its protections, Massachusetts' property tax burdens remain well above national averages. But it is what stands between homeowners and much higher property taxes.

It is not the reason for the slow growth of local government revenue, and, to the extent that this slow growth is perceived as an issue, far higher property tax burdens are not—and should not be accepted as—the solution.

That some governmental officials chafe at its moderate restrictions is highly suggestive evidence of what taxpayers could expect without Proposition 2½. The law has worked for forty-five years, and it has not lost any of its importance. Massachusetts homeowners deserve to enjoy the law's protections for many years to come.

**Proposition 2½  
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