

## Override vs. Debt Exclusion

### What is an Override?

Proposition 2 ½ allows a community to assess taxes in excess of the automatic annual 2.5 percent increase. A community may take this action as long as it is below its level ceiling, or 2.5 percent of full and fair cash value. An override cannot increase a community levy limit above the level of the community 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 the community which, as part of the levy limit base, increases at the rate of 2.5 percent each year.

A majority vote of a community's selectmen, or town or city council allows an override question to be placed on the ballot. Override questions must be presented in dollar terms and must specify the purpose of the override. Overrides require a majority vote of approval by the electorate.

### What is a Debt Exclusion?

Proposition 2 ½ allows a community to raise funds for certain purposes above the amount of its levy or levy ceiling. A community can assess taxes in excess of its levy limit or levy ceiling for the payment of specified debt service costs. An exclusion for the purpose of raising funds for debt service costs is referred to as a **debt exclusion**. Debt exclusions require voter approval.

The additional amount for the payment of debt service is added to the levy limit or levy ceiling for the life of the debt only. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years.

Reimbursements such as state reimbursements for school building construction are subtracted from the amount of the exclusion.

Both of these exclusions require a two-thirds vote of the community's selectmen, or town or city council in order to be presented to the voters. A majority vote of approval by the electorate is required for both types of exclusion.

Questions presented to exclude a debt obligation must state the purpose for which the monies from the debt issue will be used.