

Bureau Update

Boston Municipal Research Bureau, Inc.

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NEWS & NOTES

SAVE THE DATE

FEBRUARY 24, 2004 BUREAU'S 72nd ANNUAL MEETING

Keynote Speaker, Mayor **Thomas M. Menino**
For more details call Diane Smith at 617-227-1900.

MAYOR APPOINTS CFO

Lisa Signori was appointed as Chief Financial Officer by Mayor Menino on October 2nd. Ms. Signori, the City's Budget Director since 1999, will oversee all the City's financial matters, including the Treasury, Assessing, Auditing and Purchasing Departments, the Office of Budget Management and Retirement Board.

SCHOOL COMMITTEE WANTS YOU

Applications are being accepted through November 17th for 2 four-year terms on the School Committee beginning January 2004. Openings are due to the expiring terms of Marchelle Raynor and Angel Amy Moreno. Both members are expected to reapply, but new candidates are welcome. For an application, call 617-635-4634 or visit bostonpublicschools.org.

CLASSIFICATION SHIFT

For Boston and several other communities, a large shift in the property tax burden from the business to the residential class could occur in FY04. The expected decrease of business property values and larger increase in residential value combined with the business share of the levy being at the limit under classification could cause this shift to occur. For Boston that means the average single-family tax bill could increase by \$700-\$800 or over 35% and the tax for a commercial building could decrease by 15-20%.

In order to minimize the tax increase on residential property and maintain the relative share of the tax levy between business and residential, a bill before the Legislature (H1980) would allow each municipality to increase its business share of the levy to 200% of full value share, up from 175%. The residential share could be reduced to 45% of full value, down from 50%. At the higher limit of 200%, the residential bill in Boston could still increase by \$250-\$300 or 15-18% and the business taxes could decrease by 5-8%.

Historically, Boston homeowners have benefited by the City's classification policy of allocating to the residential class the lowest allowable share of the property tax levy with the business share raised to meet the full levy limit. As a result, in FY03, business property paid \$302.1M in property taxes that would have otherwise been paid by residential owners. Classification reduced the average single-family tax bill by \$1,757 in FY03. In addition, homeowners received a 30% residential exemption that reduced each bill by \$988 last year. With these two programs, the average single-family tax bill in FY03 was \$1,972. That bill was low compared to several of Boston's neighboring communities.

COOP TAX BREAK?

Should cooperative units qualify for the residential tax exemption just like other residences? The City Council's Committee on Government Operations analyzed this question in a recent public hearing, as it considered whether Boston should accept an amendment to the Municipal Relief Package that would allow approximately 2,000 coop unit owners in Boston to apply for the exemption. The Mayor's approval is also required. The proposal was touted as a means to promote affordable housing and tax fairness. However, the amendment contains various legal and administrative flaws, which make opting into it ill-advised in its current form.

Most notably, for tax purposes coop units are not like other residences. Under state law, only the holder of the title of record is eligible for the exemption. Coop unit owners hold shares in the coop's corporation, not the title, which is held by the corporation. Even if all the legal obstacles were overcome, there is no administrative framework in place to accommodate the unique corporation-shareholder relationship to effectively manage the exemption process. Finally, the level of possible tax relief available to coop owners relative to other taxpayers raises an issue of fairness and needs to be examined in more detail. Stay tuned for more from the Council.

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