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Testimony of the Boston Municipal Research Bureau

Before the

City Council's Committee on Ways and Means

April 7, 2004

Regarding: Docket No.0429 Supplemental Tax Assessment

Mr. Chairman, my name is Samuel R. Tyler, President of the Boston Municipal Research Bureau. On behalf of the Research Bureau, I am here to recommend that the City Council should reject for FY04 the ability to tax new value captured after January 1, 2003, the assessment date for setting the FY04 tax rate. As part of the Municipal Relief Act enacted this past summer, cities and towns were authorized to tax the value of certain improvements to real estate made after the January 1 assessment date for the purpose of providing additional tax revenue for the year. The additional tax would be made on those parcels for which an occupancy permit is issued during the fiscal year and the new construction increases the value by over 50%.

This tax would be in addition to the regular property tax assessed on the parcel's January 1 value and would be pro-rated from the time the permit was issued to the end of the fiscal year using the current year's tax rate. The supplementary tax is not considered part of the tax levy limited by Proposition 2½. In past years, this increased value would not have been taxed until the next fiscal year. In addition, the City must abate property taxes on any parcel if it loses more than 50% of its value after July 31, 2003 by fire or other natural disaster. The City is required to implement this new provision unless the City Council, with the Mayor's approval, notifies the Massachusetts Department of Revenue in writing of its rejection.

The City should reject the supplemental assessment for FY04 because it raises issues of equity and departs from the principle that property tax value and ownership be treated consistently using a single lien date. The additional property tax burden created by the supplemental assessment could negatively impact development in Boston by creating a financial burden in the first years of operation. For city departments, time would be needed to change administrative procedures and software programs and educate impacted taxpayers. Also, rejection this year is advisable in light of the added tax burden placed on business property as a result of the change in the classification law.