

January 2017

Boston Adopts 35% Residential Exemption for FY17

City still raises the maximum tax levy even with tax breaks for eligible homeowners

In early January, Mayor Walsh announced that for FY17 the City had adopted the newly state authorized 35% residential exemption, an increase of 5% over the previous 30% exemption. The 35% exemption of \$2,433 is \$413 greater than the exemption at 30% in FY17. The \$2,433 residential tax exemption in FY17 is equivalent to a property value reduction of \$229,737.

The FY17 assessed value of the average single-family property in Boston is \$534,836, an increase in value of 7.1% over the prior year. After subtracting the exempted value and applying the tax rate of \$10.59, the tax bill of the average single-family home is \$3,231. That represents a decrease of \$302 or 8.5% from last year's tax bill of \$3,533.

In FY17, 75,531 parcels are eligible for the residential exemption of \$2,433 which produces a total tax exemption of \$183.8M. The total taxable value of the exemption is \$17.4B.

Tax levy Impact

The residential exemption does not reduce the residential share of the tax levy for the fiscal year. Rather, the total tax reduction is offset by an increase in the residential tax rate which shifts the taxes not paid by eligible homeowners to higher valued homes, apartment buildings and residential properties not occupied by the owner. Thus, the City will

raise the full amount of the tax levy despite the higher tax break to eligible homeowners.

Residential Exemption

The City first adopted the residential exemption by local option when it was available by law in 1983. The exemption represented 10% of the average assessed value of all residential properties. Starting in FY89, the exemption was increased to 20%. The exemption is only available to homeowners who occupy their property as their principal residence. In 2000, the City was successful in increasing its residential exemption to 30% through a home rule petition approved by the state.

On August 9, 2016, Governor Baker signed the Municipal Modernization Act (Ch.218, Acts of 2016) which grants more control to local officials and supports fiscal efficiency. In one of the 253 sections of the law, MGL Ch.59,S.5C was amended to authorize cities and towns to increase their residential exemption from 20% to 35%.

However, separately cities such as Boston, Cambridge and Somerville had been successful in securing approval of home rule petitions to be exempted from Section 5C in order to increase their residential exemptions to 30%. Because the new law did not apply to these cities, a Boston proposed solution (Ch.326, Acts of 2016) was approved by the state that enabled them to implement the 35% residential exemption.