RESEARCH UPDATE

January 29, 2026

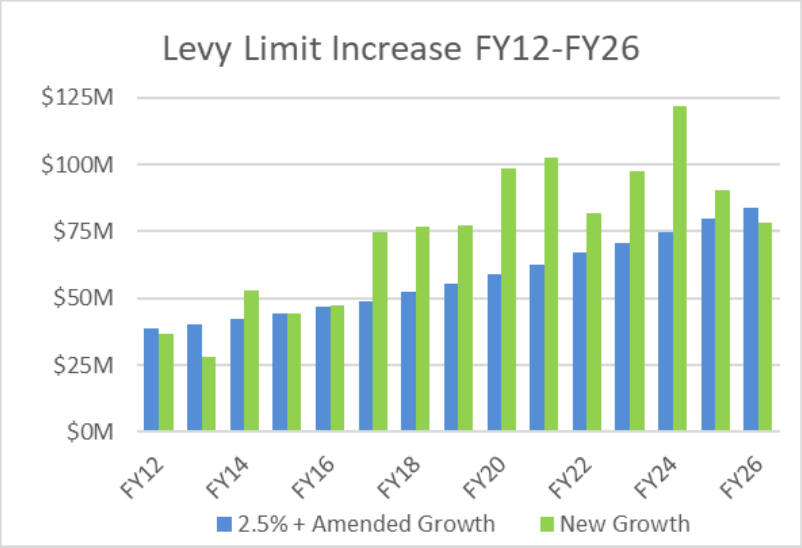
BOSTON MUNICIPAL RESEARCH BUREAU

New Growth Falls to Lowest Share in More Than a Decade

Continued Decline in Commercial Values Fuels Rise in Residential Taxes

With tax bills issued earlier this month for the second half of fiscal year 2026, Boston property owners now have a clear picture of the taxes they owe, with tax rates rising for both residential and business properties. This report analyzes Boston's tax rates, assessed values, and new growth and their implications for the City's property tax levy, which accounted for 71.7% of operating revenue in FY26. The assessment date for FY26 is January 1, 2025, and captures the market activity of 2024, meaning the property assessments used to calculate FY26 taxes do not reflect current market conditions.

Boston's assessed property value grew in FY26 for the fifteenth straight year, rising slightly due to increasing residential values. Notably, FY26 is the second consecutive year that business[1] values fell, tempering the effect of some of the residential value growth. At the same time, residential and business new growth slowed from FY25. The decline in business assessed values and new growth were driven particularly by a slowdown in commercial new growth. These declines raise concerns for FY27 and beyond, given the significance of business property taxes in funding Boston's budget.



New Growth & Levy Limit - A critical component of the annual tax levy increase, new growth permits the City to increase property tax revenue beyond the standard base (2.5% plus amended growth) annually. New growth came in at $78.1M in FY26, a decrease of $12.4M or 13.7% from last year's figure of $90.5M. While down from FY25, the figure exceeds the conservative $60M included in Boston's FY26 budget.

Boston's property tax levy limit, the total revenue the City can raise through real and personal property taxes, is expected to increase by $161.9M or 4.8% this year. Due to the drop-off in new growth, this increase is below the 6.0% average increase from FY21-FY25 and the slowest increase in over a decade. Given Boston's reliance on new growth to generate property tax revenue, decreased new growth will constrain the City's property tax revenue for the FY27 budget more than in recent years.

Crucially, for the first time since FY15, the standard base growth was greater than new growth. New growth accounts for 48.2% of the levy limit increase in FY26, down from 53.2% in FY25. The increase in

[1] Business property in this report refers to the Commercial, Industrial, and Personal (CIP) property tax classes, to which the business tax rate is applied.

property tax levy limit attributable to the standard base increase represented $83.9M, while new growth only accounted for $78.1M.

New Growth by Class - The decline in new growth from FY25 was driven by substantial decreases in both business and residential new growth. Business (CIP) new growth has historically driven the City's ability to levy above the standard base increase because it is taxed at more than twice the rate of residential property. In absolute terms, business new growth ($59.6M) remained substantially larger than residential new growth ($18.5M) in FY26. Residential new growth fell sharply in FY26, declining by 31.2% (-$8.4M) from FY25, driven by declining housing production. The 6.3% decline in business new growth (-$4.0M) was less severe than the 33.4% drop that occurred in FY25.

New Growth Analysis by Class

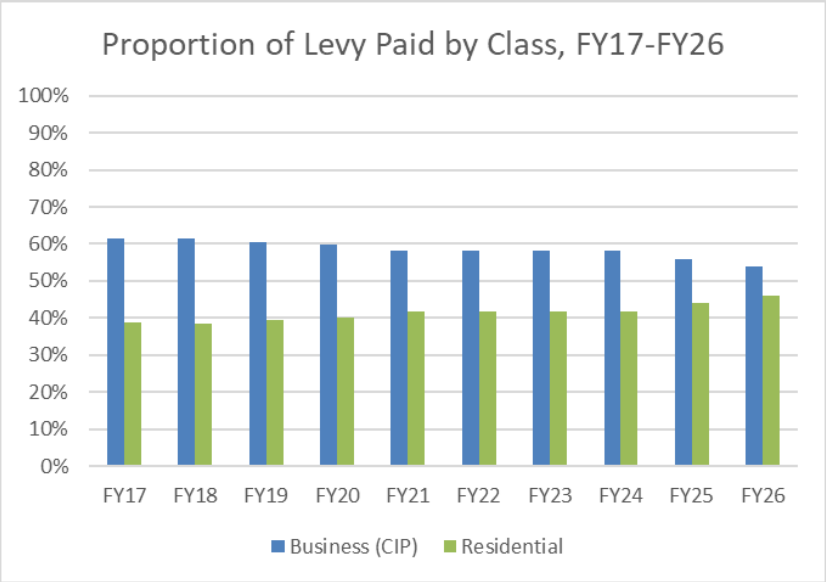
$ in millions

	FY25	FY26	Change	%	% of FY26 Total
Commercial	$41.8	$30.9	-$10.9	-26.1%	39.5%
Industrial	$0.3	$0.3	$0.0	15.4%	0.4%
Personal	$21.6	$28.5	$6.8	31.6%	36.5%
CIP Subtotal	$63.7	$59.6	-$4.0	-6.3%	76.4%
Residential	$26.8	$18.5	-$8.4	-31.2%	23.6%
Total	**$90.5**	**$78.1**	**-$12.4**	**-13.7%**	**100.0%**

*CIP=Commercial, Industrial, Personal R=Residential

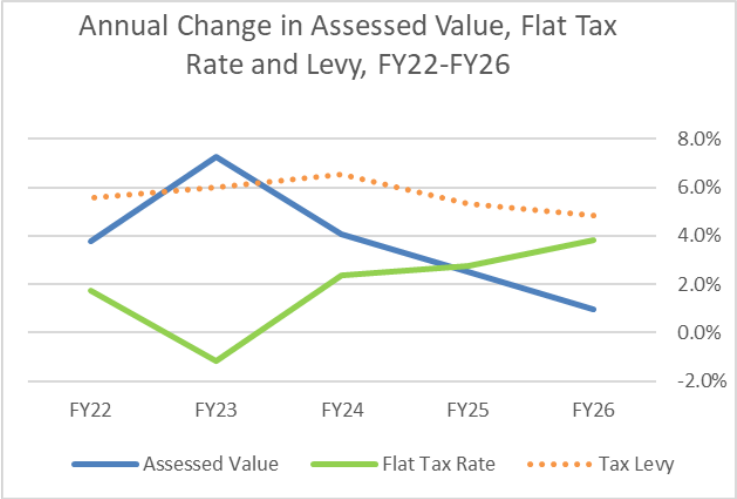
However, major variation within business property tells a more nuanced story. FY26 marked the second year of significant commercial new growth decline. Commercial new growth fell by -$10.9M (-26.1%). Notably, in the two years since the City notched a record high for new growth, commercial new growth ($30.9M) now accounts for less than half the amount in FY24. Large declines in commercial new growth this year, however, are partially offset by a substantial increase in personal property new growth, which rose by $6.8M (31.6%).

Tax Rates & Classification - Tax rates for both residential and business properties increased this year, with residential rates growing faster than business rates. Residential tax rates increased by $0.82 or 7.1% to $12.40 per thousand dollars of value, while the business tax rate increased by $1.00 or 3.9% to $26.96. In FY26, the City adopted the maximum tax classification shift and residential exemption, allowing the City to shift the property tax burden from residential property owners to businesses. Business property represents only 30.8% of the taxable value in the city yet will pay 53.9% of the tax levy. In contrast, residential property represents 69.2% of total taxable value but will pay 46.1% of property taxes. Notably, this is the highest share of the levy paid by residential property and the lowest paid by business property in at least four decades. The FY26 residential share of the tax levy bests the record of 44.1% set last year.



Tax Levy, Rates and Values Under Prop 2 ½

The property tax is calculated using the assessed value of taxable property and the tax rate that is applied to this value. Because Prop 2½ limits the amount of new property tax revenue, these two factors are often inversely correlated, with tax rates increasing when assessed values decline, and vice versa. While this means Boston is secure in its ability to collect property tax revenue, it could place a strain on residents and businesses to have property taxes increase in periods of economic downturn. As seen in the chart at right, in FY26, the tax levy remained relatively stable at 4.8%, while assessed values grew 1.0% and the flat tax rate grew 3.8% accordingly.



Property Values - Boston's assessed property value grew by $2.23B or 1.0% in FY26 compared to FY25, down from an average of 5.2% over the prior 5 years. The lower value growth in FY26 occurred alongside a divergence in growth rates by class, with residential value increasing in FY26 by $4.17B or 2.7%, while business value fell by $1.94B or 2.7%. Despite being Boston's fifteenth straight year of overall property value growth, business assessed value fell for the second consecutive year, after falling last year for the first time in over a decade. Overall property value growth represents the lowest level since FY11, when assessed values dropped following the Great Recession.

Among business properties, assessed values differed by class, with personal property (mainly the equipment and machinery of utilities and office equipment) diverging from commercial and industrial property. Commercial and industrial values fell by 3.9% and 3.1% respectively, while personal property experienced strong growth of 5.1%. However, the decline in dollar value of commercial property overshadows the increase in personal property values. Commercial property values fell by $2.39B from FY25 to FY26, whereas personal property value rose by only $492.4M.

Boston's Taxable Property Value

$ in billions

	FY25	FY26	Change	%	% of FY26 Total
Commercial	$61.18	$58.80	-$2.39	-3.9%	25.7%
Industrial	$1.48	$1.43	-$0.05	-3.1%	0.6%
Personal	$9.69	$10.18	$0.49	5.1%	4.5%
CIP Subtotal	$72.35	$70.41	-$1.94	-2.7%	30.8%
Residential	$154.03	$158.20	$4.17	2.7%	69.2%
Total	**$226.37**	**$228.60**	**$2.23**	**1.0%**	**100.0%**

*CIP=Commercial, Industrial, Personal R=Residential