City of Boston
Assessing Department

Property Tax Facts and Figures

Fiscal Year 2011

THOMAS M. MENINO, MAYOR

Ronald W. Rakow
Commissioner of Assessing

January 2011

ASSESSING DEPARTMENT

Boston City Hall, Room 301, Boston, MA 02201

January 2011

Dear City of Boston Property Owner,

The City of Boston has completed the assessment of all taxable property for Fiscal Year 2011. The Fiscal Year 2011 assessments represent the full and fair cash value of property as of January 1, 2010.

Property Tax Facts and Figures - Fiscal Year 2011 presents in text, charts and tables an overview of property taxes in the City of Boston. Through comparative and historical data, a taxpayer can compare Fiscal Year 2011 assessments and tax rates with those in earlier years and with those in other jurisdictions.

This publication is one of many developed by the Assessing Department to provide taxpayers with all the information necessary to be assured that their property taxes are fair and equitable.

As always, we appreciate your comments.

Sincerely,

Ronald W. Rakow
Commissioner of Assessing

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FAIR MARKET VALUATION

The Assessing Department is statutorily obligated to assess all property at its full and fair cash value as of January 1 of each year (Massachusetts General Laws, Chapter 59, Section 38). The assessed value for the Fiscal Year 2011 tax bill represents the fair cash value of property as of January 1, 2010. Full and fair cash value is defined as the price an owner willing, but not under compulsion, to sell ought to receive from a buyer willing, but not under compulsion, to purchase.

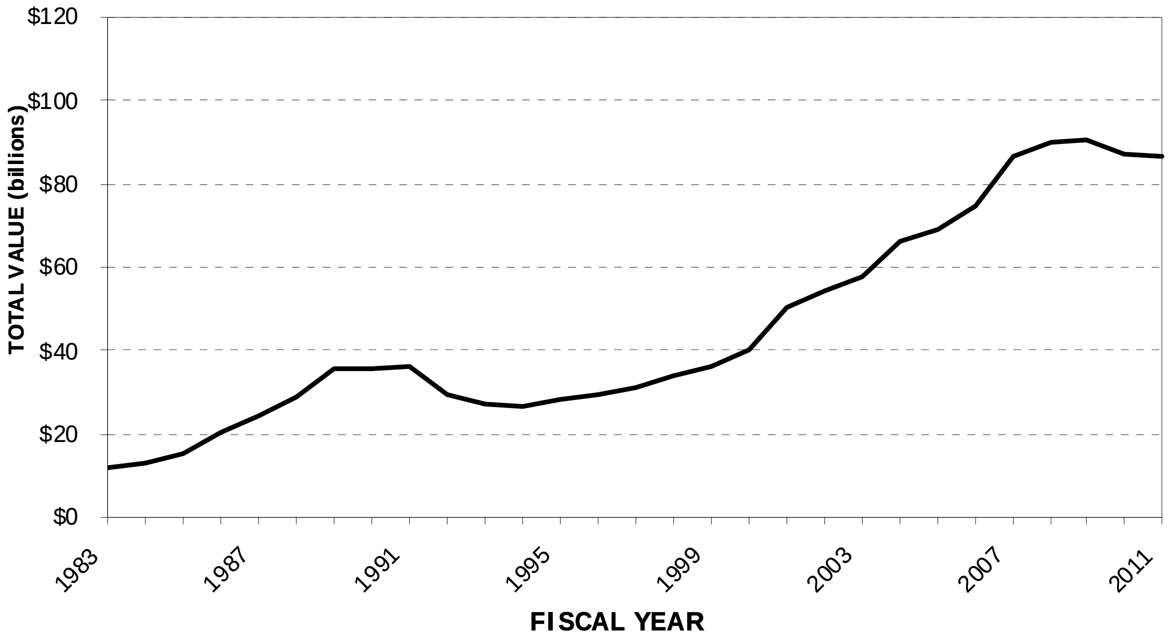
Assessments are determined using three methods:

- **Cost Approach** – the value is based on the estimated cost to replace or reproduce the buildings and improvements of a property, less any depreciation, plus the value of the land;
- **Income Approach** – the value is based on the income-producing capabilities of the property;
- **Market Approach** – the value is based on recent sales of comparable properties.

Constitutional and statutory provisions prohibit the assessment of property above or below its full and fair cash value. "Full and fair cash value" represents the applied constitutional and statutory standard protecting the property owner's right to pay only his or her fair share of the tax burden. The City of Boston has remained in compliance with the "full and fair cash value" standard since it was enacted in Fiscal Year 1983.

Chapter 40, Section 56 of the Massachusetts General Laws requires that all cities and towns complete a revaluation and undergo certification by the Department of Revenue every three years. Boston undertook its most recent revaluation in Fiscal Year 2010. Triennial revaluation requires parcel-specific data collection and detailed economic research and analysis. The assessment data must be stored in a readily updated Computer-Assisted Mass Appraisal (CAMA) system.

TOTAL ASSESSED VALUE
Fiscal Years 1983 - 2011



FISCAL YEAR	TOTAL VALUE
1983	$12,175,949,017
1985	$20,249,421,480
1990	$35,433,672,139
1995	$29,784,758,269
2000	$28,115,695,000
2005	$69,253,527,870
2006	$74,738,001,337
2007	$86,516,105,759
2008	$90,067,296,838
2009	$90,387,170,824
2010	$87,256,532,047
2011	$86,800,582,862

The tax base (total value of all taxable property assessed) decreased from $87.3 billion in FY 2010 to $86.8 billion in FY 2011, a decrease of $456 million or 0.5%.

HOW VALUES ARE DETERMINED

The job of the assessor is to determine the market value of every parcel of property as of each January first. In practice, there are three accepted approaches to value: market, income and cost.

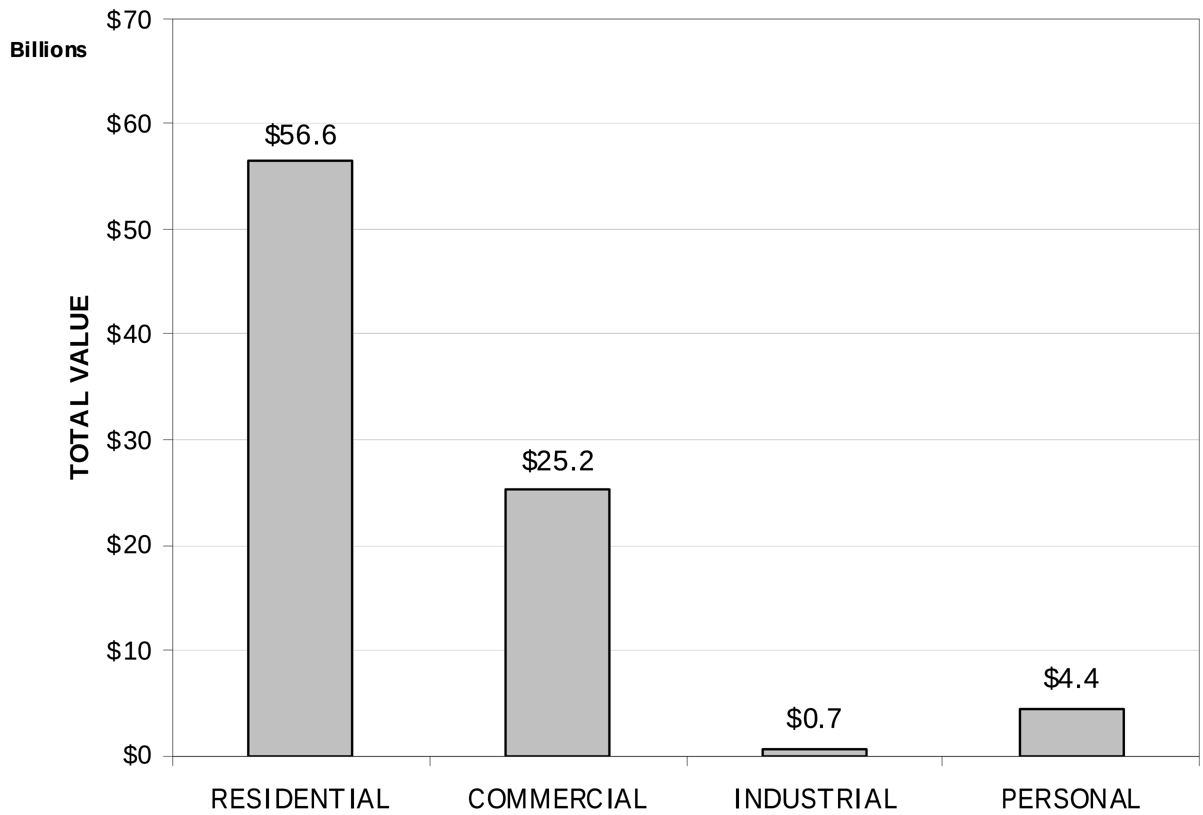
Market Approach - Market sales of similar properties which sold in the year prior to January first are analyzed, compared and adjusted to forecast what the property would sell for on January first. When there are many sales, the market approach is the most accurate and dependable tool in the determination of value. Most residential property is valued by the market approach.

Income Approach - The income stream that a property is likely to produce for an investor over a definite period of time is determined by examining data such as rents, occupancy rates, and expenses. The process of capitalization converts the future income stream into present worth or market value. The income approach is most applicable to real estate that is bought and sold based on its income-producing capabilities, such as retail stores, office buildings and apartment buildings.

Cost Approach - The current reproduction or replacement cost of a property is determined, with adjustments made for depreciation and land value. Reproduction cost is the amount of money necessary to erect a new structure that is an exact replica of the existing building. Replacement cost is the expenditure necessary to build a new building equal in utility to the original and able to serve as a substitute in function. The cost approach is most applicable to special-purpose properties that are not readily sold or rented.

The final step in the appraisal process for a parcel is to analyze the value indications from cost, market and income approaches and determine a single market value for the parcel of property.

ASSESSMENTS: MAJOR CATEGORIES
Fiscal Year 2011



PROPERTY TYPE	TOTAL VALUE
RESIDENTIAL	$56,563,231,063
COMMERCIAL	$25,171,149,717
INDUSTRIAL	$679,520,552
PERSONAL	$4,386,681,530

ASSESSMENT DATES AND FISCAL YEAR

In Massachusetts, the assessment date is January 1st.

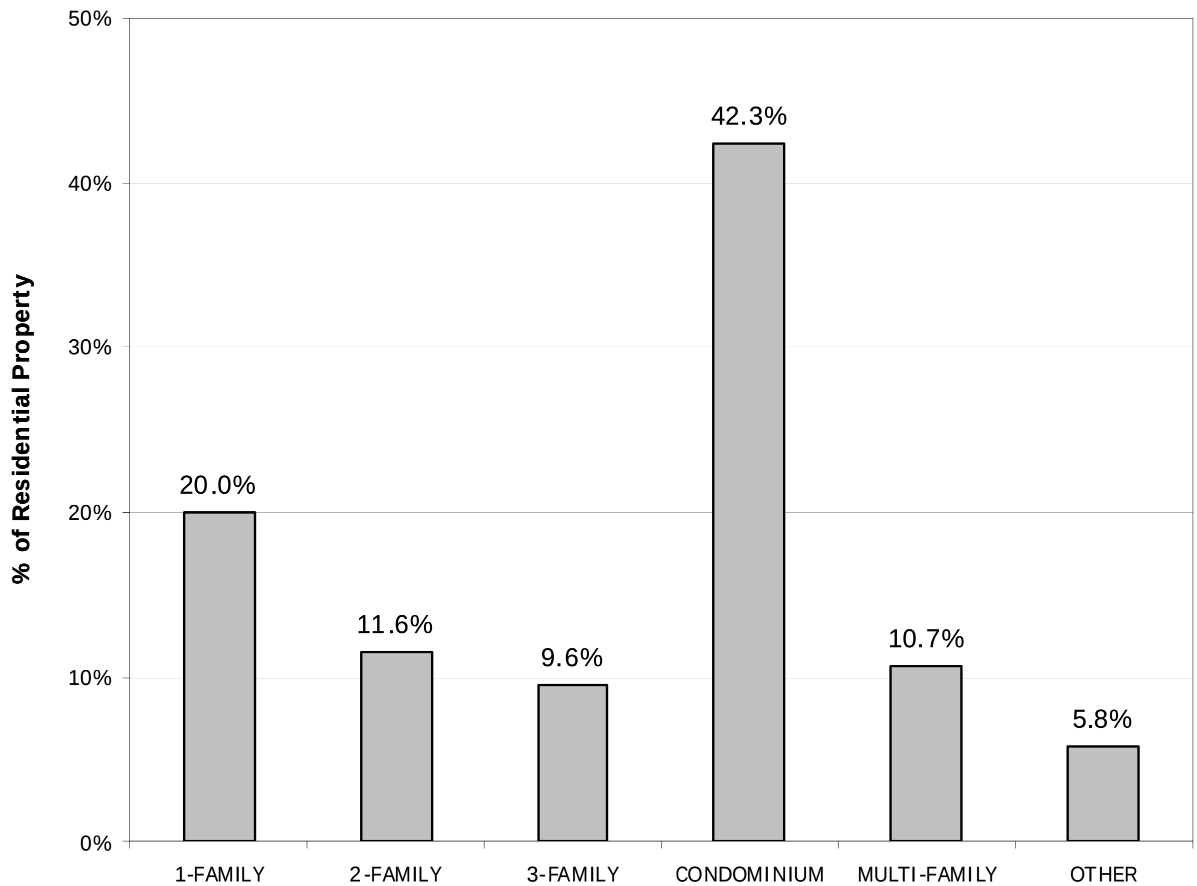
It is the ownership, condition and value of the property on January 1st that determines an assessment and to whom the tax bill is assessed. Any new structures, additions, demolitions, improvements or alterations that occur after January 1st will not be reflected in the assessing records until the next January 1st. The only exception is certain exempt property which has a date of determination of July 1st.

In Massachusetts, the fiscal year commences on July 1st and ends on the following June 30th.

Property taxes are assessed for the fiscal year (July 1 - June 30) based on the value of the property as of the previous January 1st.

For example, property taxes for Fiscal Year 2011 (July 1, 2010 to June 30, 2011) are based on the value of properties as of January 1, 2010.

RESIDENTIAL ASSESSMENTS
Fiscal Year 2011



PROPERTY TYPE	TOTAL VALUE
1-FAMILY	$11,319,380,256
2-FAMILY	$6,549,687,692
3-FAMILY	$5,423,365,450
CONDOMINIUM	$23,939,716,823
MULTI-FAMILY	$6,030,956,266
OTHER	$3,300,124,576

PROPOSITION 2 ½

Proposition 2 ½, an initiative petition, was approved by the citizens of the Commonwealth in 1980.

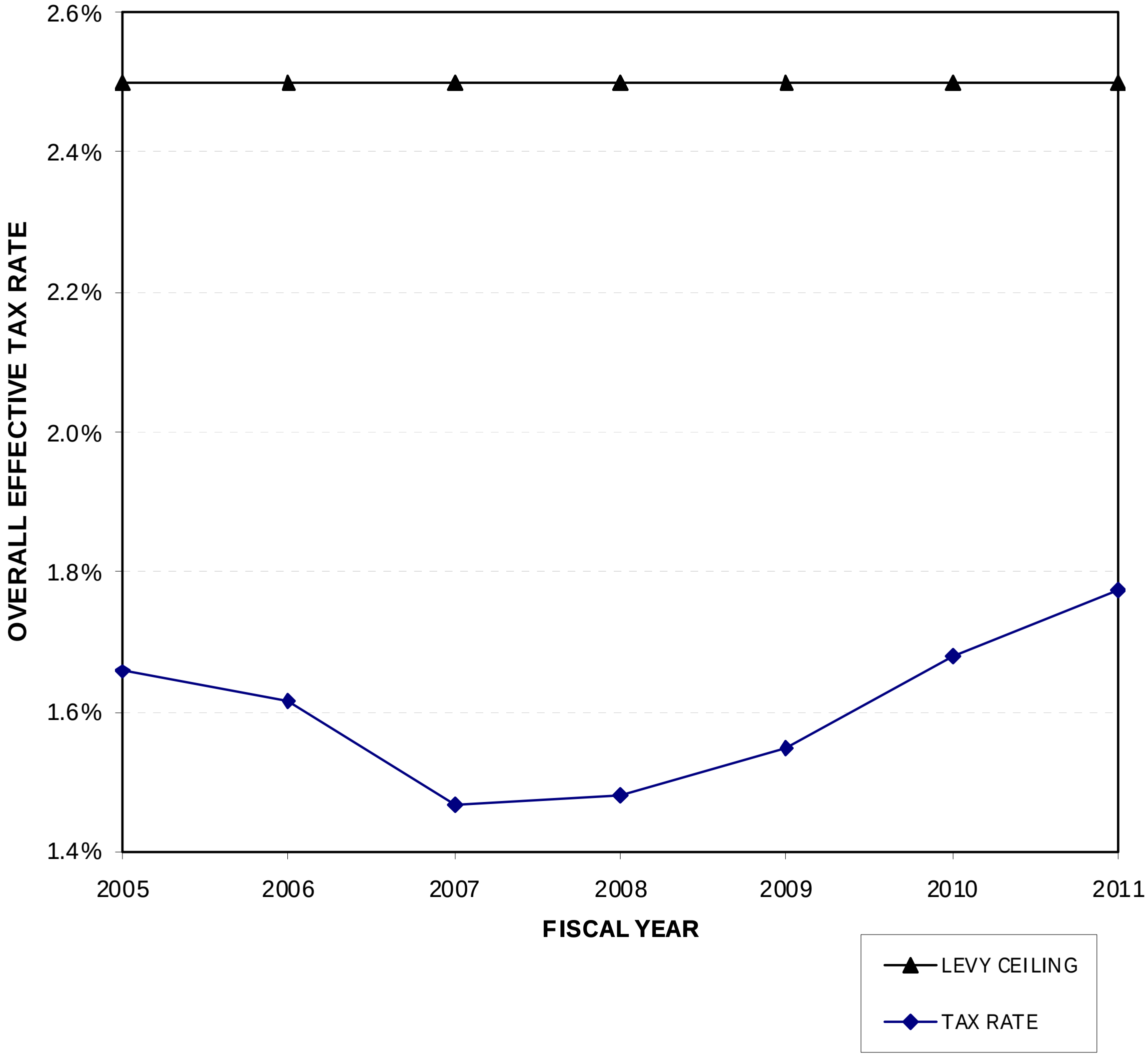
Its principal provisions relative to the property tax are to:

- Limit the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property.

- Limit the property tax levy to no more than a 2.5% increase over the prior year's levy limit (with certain provisions for new growth and construction). Taxpayers should note that the 2.5% limit applies to the entire levy. It does not limit the increase in individual assessments.

- Provide for local overrides of the levy limit and a local option to exclude certain debt from the limit. Since the inception of Proposition 2½, the City of Boston has not voted either to override the levy limitations or exclude any debt as allowed by Proposition 2½.

OVERALL EFFECTIVE TAX RATES
Fiscal Years 2005 - 2011



- The overall effective tax rate -- taxes as a percent of value -- is 1.77% in FY 2011.
- Under the provisions of Proposition 2½, the property tax may not exceed 2.5% of the value of all taxable property.

CLASSIFICATION

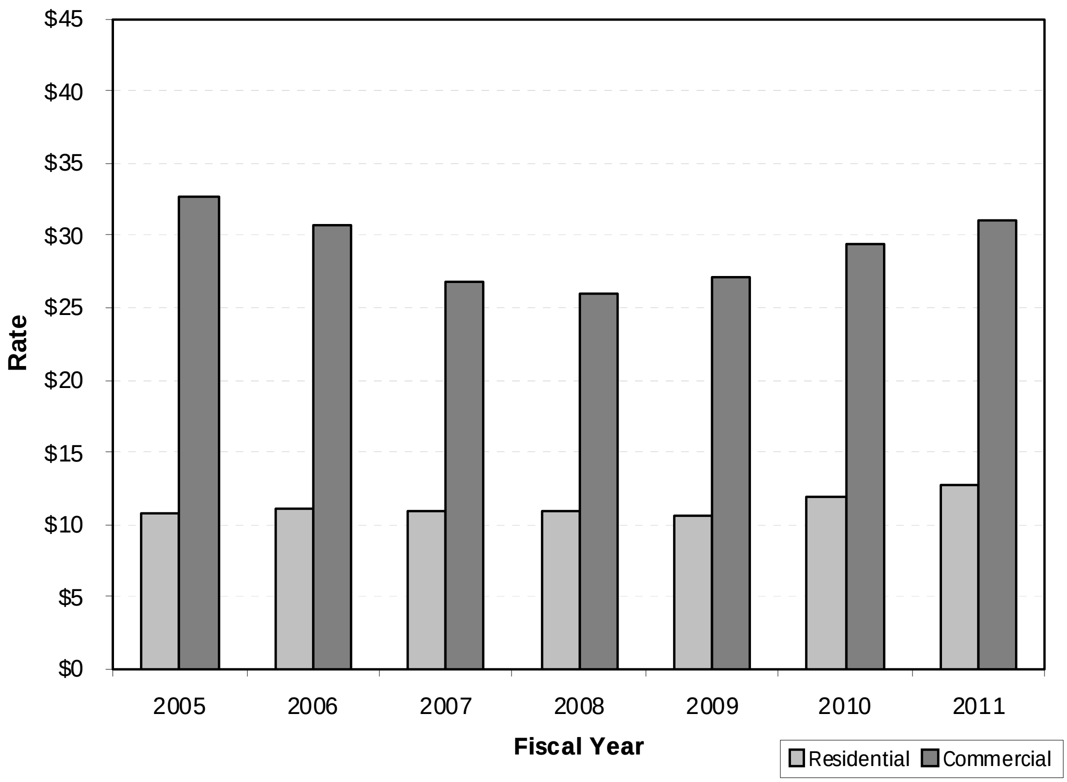
In 1978, the citizens of the Commonwealth approved a constitutional amendment authorizing the Legislature to classify real property into as many as four classes and to tax these classes differently. The original classification act prevented the shifting of taxes from business property onto residential property as a result of court-ordered revaluations.

Between 1983 and 1987, however, rapid appreciation in property values increased the residential share of the property tax burden. In Fiscal Year 1989, legislation approved by the state legislature revised the limits provided under the original classification act and enabled local officials to mitigate further tax shifts.

For Fiscal Year 2004, real estate values for business properties were either stagnant or on the decline, while residential values continued to appreciate dramatically. This highly unusual situation led to a legislative effort to once again revise the classification parameters. Chapter 3 of the Acts of 2004 created a sliding scale whereby the business sector, already responsible for 175% of the overall tax levy, shouldered a higher portion of the levy starting in 2004 (200%) and ending in 2009 (170%). In 2007, the business share of the levy was reset at 175%, amending the prior classification legislation and preventing the business factor from slipping below the pre-2004 level.

Preferential tax treatment for residential property is not required by the Commonwealth, but is rather a local option. In Boston, the City Council, with the approval of the Mayor, has chosen to fully implement classification, thereby reducing the residential tax rate to the lowest level allowed by law.

CLASSIFIED TAX RATES
Fiscal Years 2005 – 2011



- The FY 2011 commercial, industrial, and personal property tax rate is $31.04 per thousand dollars of value.
- The FY 2011 residential tax rate is $12.79 per thousand dollars of value.

REVALUATION

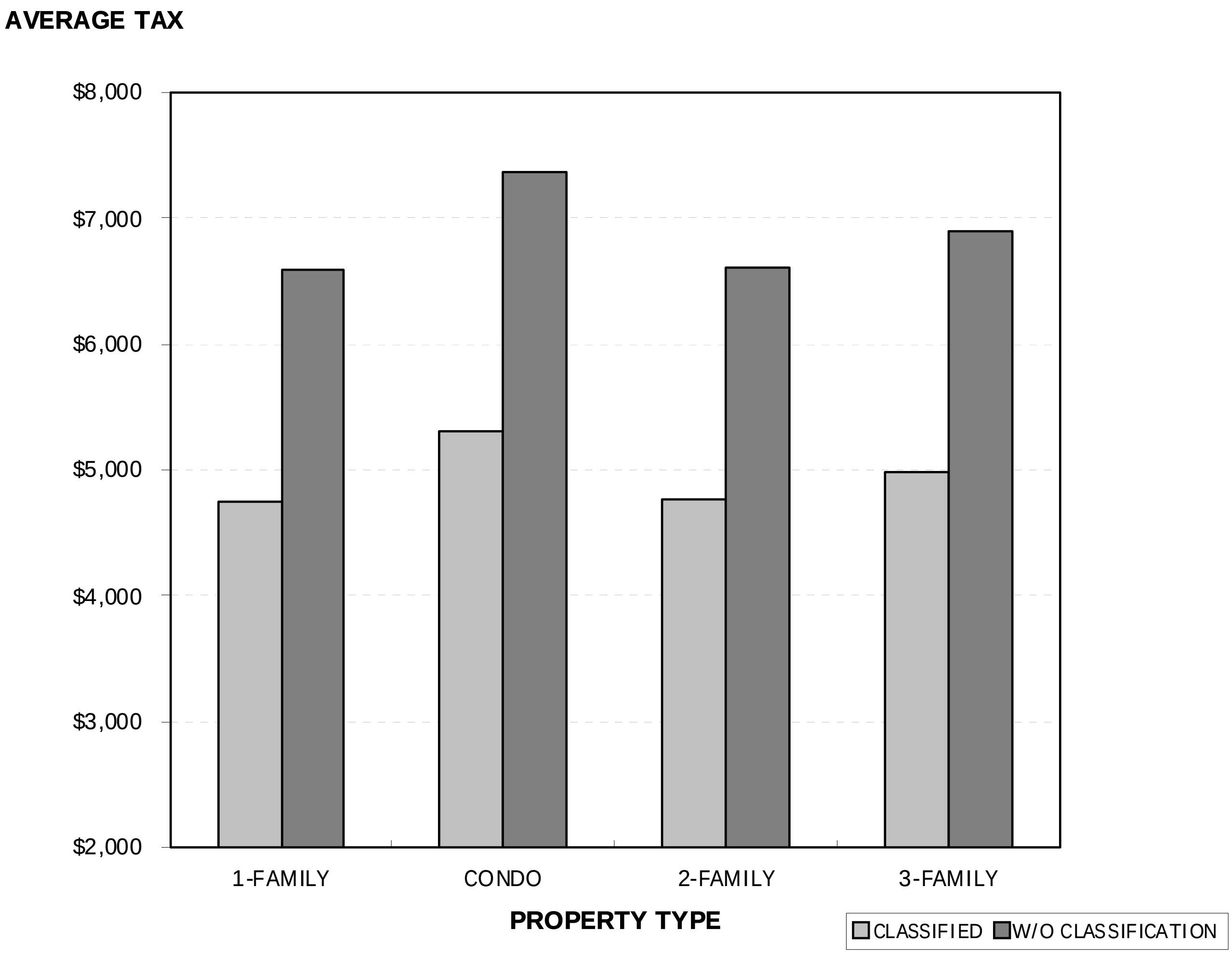
In Fiscal Year 2010, as mandated by state law, the city conducted a parcel-specific revaluation. All cities and towns in Massachusetts must conduct a revaluation once every three (3) years.

During a revaluation, the statistical models that generate values based on property characteristics (location, size, condition, etc.) are recalibrated using recent real estate market data, including property sales and rents. The Massachusetts Department of Revenue ("DOR") applies a rigorous certification process when a community revalues its property. The DOR requires that assessments meet strict statistical tests to ensure that they accurately reflect the market and are applied consistently.

In the years between revaluations, the City, pursuant to state law, may trend values or employ market-indexing to keep property assessments accurate. For Fiscal Years 1983 – 2011, the City of Boston has complied with the full and fair cash value standard as follows:

FY 83	Parcel-specific revaluation
FY 84	Market-indexed assessments
FY 85	Market-indexed assessments
FY 86	Parcel-specific revaluation
FY 87	Market-indexed assessments
FY 88	Market-indexed assessments
FY 89	Parcel-specific revaluation
FY 90	Property values stable
FY 91	Property values stable
FY 92	Parcel-specific revaluation
FY 93	Market-indexed assessments
FY 94	Market-indexed assessments
FY 95	Parcel-specific revaluation
FY 96	Market-indexed assessments
FY 97	Market-indexed assessments
FY 98	Parcel-specific revaluation
FY 99	Market-indexed assessments
FY 00	Market-indexed assessments
FY 01	Parcel-specific revaluation
FY 02	Market-indexed assessments
FY 03	Market-indexed assessments
FY 04	Parcel-specific revaluation
FY 05	Market-indexed assessments
FY 06	Market-indexed assessments
FY 07	Parcel-specific revaluation
FY 08	Market-indexed assessments
FY 09	Market-indexed assessments
FY 10	Parcel-specific revaluation
FY 11	Market-indexed assessments

IMPACT OF CLASSIFICATION
Fiscal Year 2011



- Without the implementation of classification to the benefit of residential taxpayers, average residential tax bills would increase substantially.

- Classification saves homeowners:
  - an average of $1,838 on a single-family home;
  - an average of $2,054 on a residential condominium;
  - an average of $1,841 on a two-family home;
  - an average of $1,927 on a three-family home.

QUARTERLY TAX BILLS

The City of Boston has adopted the provisions of Massachusetts law that allow cities and towns to issue tax bills on a quarterly basis.

A preliminary payment is due August 1 (first quarter) and November 1 (second quarter) of each year. The amount is equal to fifty percent of the prior year's tax, divided into two equal payments. The preliminary tax is not an estimated tax bill for the new fiscal year; rather, as indicated on the tax bill, it is a preliminary amount based upon the prior year's tax.

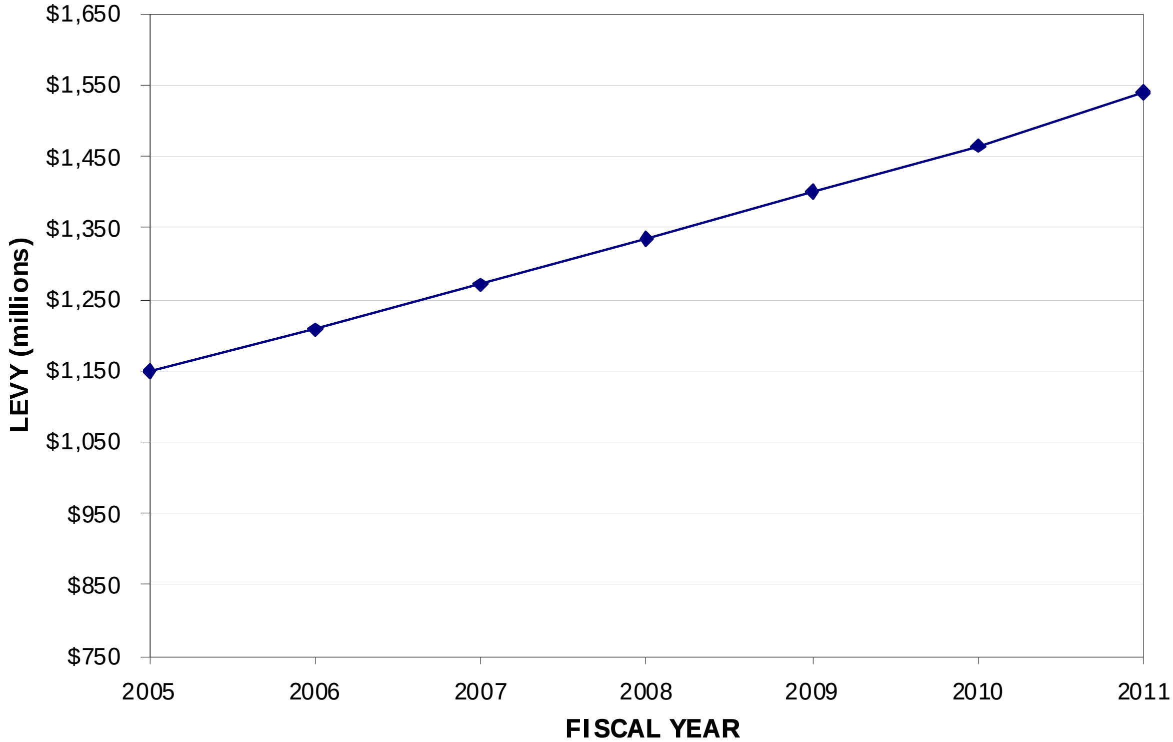
The third quarter bill is issued in late December of each year and indicates the fair cash value assessment for the fiscal year and the entire tax owed. The appropriate filing deadline dates for personal and residential exemption applications are based on the date of this bill. Any exemption for which a taxpayer is eligible appears as a credit on this bill.

The tax due, less the earlier preliminary payments and any exemption for which the taxpayer is eligible, is payable in two equal installments:

* The third quarter payment is due on February 1

* The fourth quarter payment is due on May 1

TOTAL PROPERTY TAX LEVY
Fiscal Years 2005 - 2011



FISCAL YEAR	TAX LEVY
2005	$1,148,741,908
2006	$1,207,619,855
2007	$1,270,259,839
2008	$1,334,278,371
2009	$1,400,014,578
2010	$1,465,057,908
2011	$1,539,679,824

The tax levy increased from $1.465 billion in FY 2010 to $1.540 billion in FY 2011, an increase of $75 million, or approximately 5.1%.

NEW GROWTH

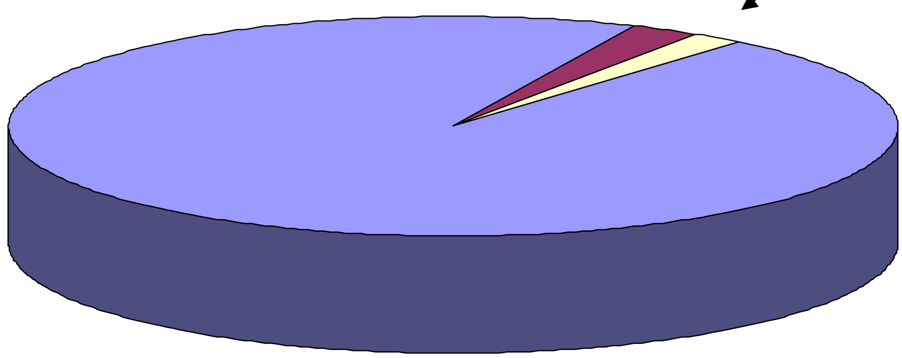
Proposition 2½ allows a community to increase its levy limit annually by an amount based upon the valuation of certain new construction and other growth in the tax base that is not the result of property revaluation. The purpose of this provision is to recognize that new development results in additional municipal costs; for instance, the construction of a new housing development may result in increased school enrollment, public safety costs and so on.

This provision covers:

- New construction, additions, and alterations that result in increases in assessed valuation aside from revaluation effects;
- New personal property;
- Exempt property returned to the tax rolls, and
- Net increased valuation for subdivision parcels and condominium conversions.

New growth is calculated by multiplying the increase in the assessed valuation of a newly taxable property by the prior year's tax rate for the appropriate class of property.

TAX LEVY LIMIT: FY 2011
(millions of dollars)



TAX LEVY LIMIT: FY 2005-2011

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
PRIOR YEAR LIMIT	$1,094.1	$1,149.2	$1,207.8	$1,271.0	$1,334.3	$1,400.6	$1,465.2
2½% LEVY GROWTH	$27.4	$28.8	$30.2	$31.8	$33.3	$35.0	$36.6
NEW GROWTH*	$27.8	$29.8	$33.1	$31.5	$33.0	$29.6	$37.8
TOTAL:	$1,149.2	$1,207.8	$1,271.0	$1,334.3	$1,400.6	$1,465.2	$1,539.7

*New Growth includes amended growth from the prior fiscal year.

PROPERTY TAX RECAP

Fiscal Years 2005 - 2011

	CLASS	TOTAL VALUE	VALUE PERCENT	TOTAL LEVY	LEVY PERCENT	TAX RATE	RESIDENTIAL EXEMPTION
FY11	RESIDENTIAL	$56,563,231,063	65.2%	$601,112,424	39.0%	$12.79	$1,594.85
	COMMERCIAL	25,171,149,717	29.0%	781,312,487	50.7%	31.04	
	INDUSTRIAL	679,520,552	0.8%	21,092,318	1.4%	31.04	
	PERSONAL	4,386,681,530	5.1%	136,162,595	8.8%	31.04	
	TOTAL	$86,800,582,862		$1,539,679,824			
FY10	RESIDENTIAL	$56,279,025,448	64.5%	$554,938,764	37.9%	$11.88	$1,486.07
	COMMERCIAL	25,931,406,498	29.7%	761,864,723	52.0%	29.38	
	INDUSTRIAL	798,981,631	0.9%	23,474,080	1.6%	29.38	
	PERSONAL	4,247,118,470	4.9%	124,780,341	8.5%	29.38	
	TOTAL	$87,256,532,047		$1,465,057,908			
FY09	RESIDENTIAL	$57,465,173,918	63.6%	$507,499,242	36.2%	$10.63	$1,375.36
	COMMERCIAL	28,198,212,130	31.2%	764,453,531	54.6%	27.11	
	INDUSTRIAL	809,681,496	0.9%	21,950,465	1.6%	27.11	
	PERSONAL	3,914,103,280	4.3%	106,111,340	7.6%	27.11	
	TOTAL	$90,387,170,824		$1,400,014,578			
FY08	RESIDENTIAL	$59,387,384,671	65.9%	$539,055,047	40.4%	$10.97	$1,488.57
	COMMERCIAL	26,011,519,799	28.9%	674,218,593	50.5%	25.92	
	INDUSTRIAL	875,893,608	1.0%	22,703,162	1.7%	25.92	
	PERSONAL	3,792,498,760	4.2%	98,301,568	7.4%	25.92	
	TOTAL	$90,067,296,838		$1,334,278,371			
FY07	RESIDENTIAL	$59,293,474,356	68.5%	$538,787,733	42.4%	$10.99	$1,525.05
	COMMERCIAL	22,937,238,958	26.5%	616,323,611	48.5%	26.87	
	INDUSTRIAL	769,744,015	0.9%	20,683,022	1.6%	26.87	
	PERSONAL	3,515,648,430	4.1%	94,465,473	7.4%	26.87	
	TOTAL	$86,516,105,759		$1,270,259,839			
FY06	RESIDENTIAL	$50,688,907,130	67.8%	$469,312,663	38.9%	$11.12	$1,344.70
	COMMERCIAL	20,041,911,428	26.8%	615,286,681	51.0%	30.70	
	INDUSTRIAL	679,680,119	0.9%	20,866,180	1.7%	30.70	
	PERSONAL	3,327,502,660	4.5%	102,154,332	8.5%	30.70	
	TOTAL	$74,738,001,337		$1,207,619,855			
FY05	RESIDENTIAL	$46,816,632,714	67.6%	$415,504,174	36.2%	$10.73	$1,222.92
	COMMERCIAL	18,663,278,562	26.9%	609,915,943	53.1%	32.68	
	INDUSTRIAL	640,349,784	0.9%	20,926,631	1.8%	32.68	
	PERSONAL	3,133,266,810	4.5%	102,395,159	8.9%	32.68	
	TOTAL	$69,253,527,870		$1,148,741,908			

RESIDENTIAL EXEMPTION

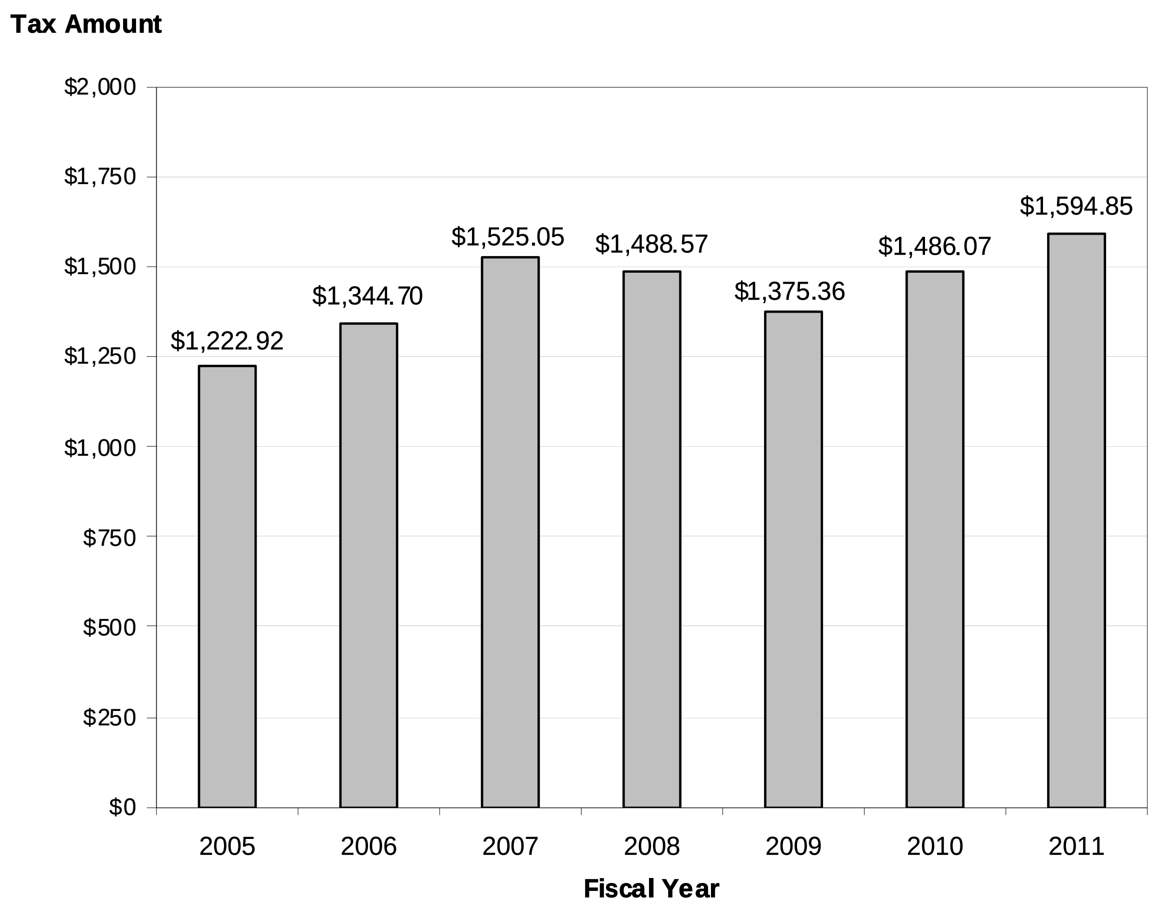
The residential exemption is a local option and is adopted by the City Council with the approval of the Mayor. Each year since 1983, Boston homeowners have received the maximum exemption levels allowed by state law.

Taxpayers who own and occupy their home can save on their tax bill by having a portion of their bill exempted from taxation. To qualify for the residential exemption, homeowners must own and occupy their home as of January 1 preceding the tax year (example: To qualify for FY 2011, the taxpayer must have owned and occupied the home as his/her principal residence as of January 1, 2010).

This year's exemption of $1,594.85 is $108.78 more than last year's exemption of $1,486.07. The Boston average tax bill of $3,155 for a single-family home continues to rate among the lowest for all communities in the greater Boston area, and is well below the FY 2010 statewide average of $4,390[1].

[1] Massachusetts Department of Revenue, Property Tax Information.

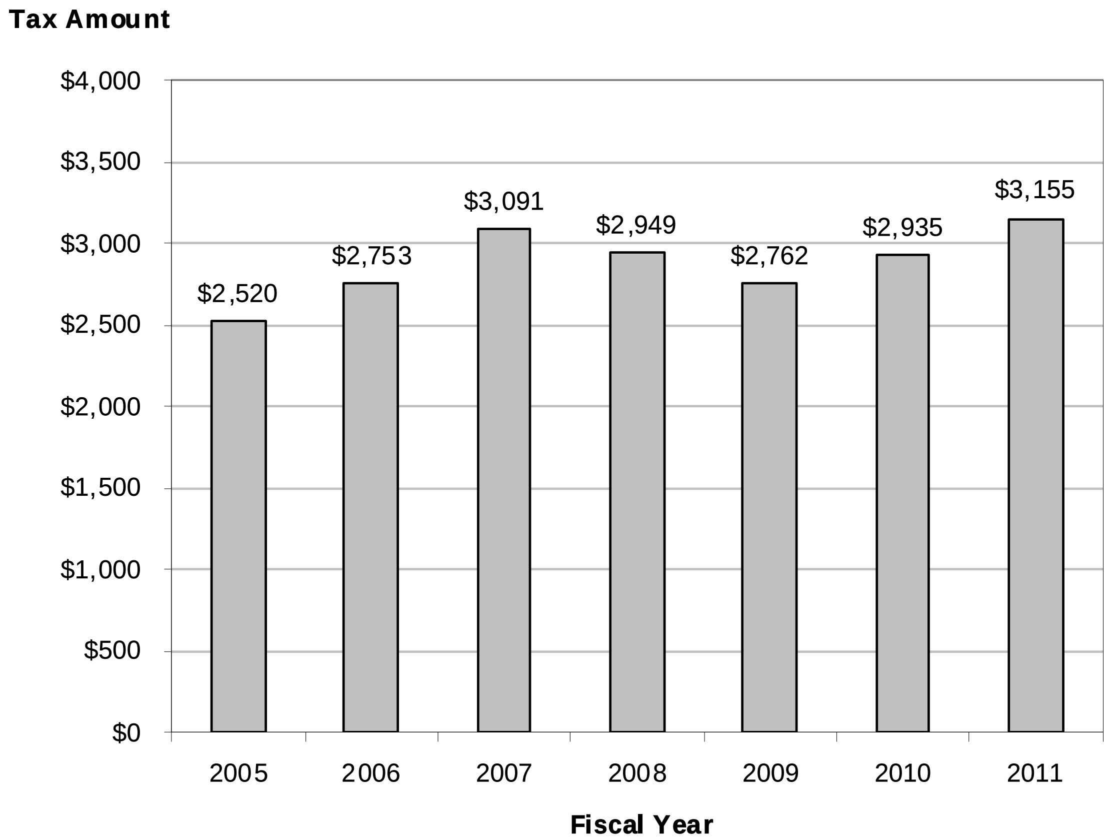
RESIDENTIAL EXEMPTION
Fiscal Years 2005 - 2011



The residential exemption increased $108.78, from $1,486.07 in FY 2010 to $1,594.85 in FY 2011.

AVERAGE RESIDENTIAL PROPERTY TAX

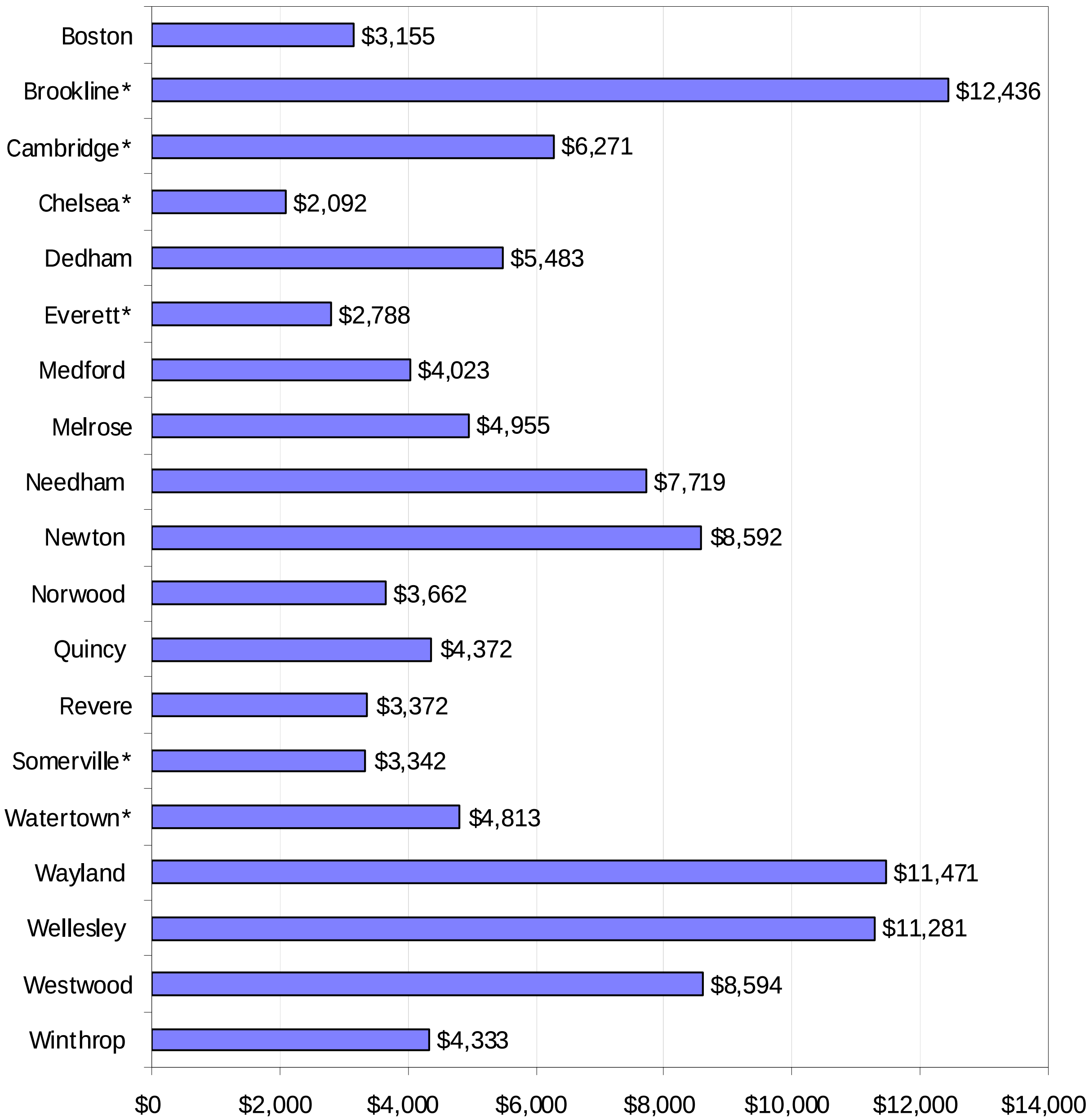
Single-Family Homes: Fiscal Years 2005 – 2011



The average tax for a residential homeowner increased $220, from $2,935 in FY 2010 to $3,155 in FY 2011.

AVERAGE RESIDENTIAL TAXES: GREATER BOSTON
SINGLE-FAMILY HOMES - FY 2011

Property taxes for single-family homes in Boston compare favorably to those in neighboring communities:



*Community provides residential exemption.

PERSONAL EXEMPTIONS

A personal exemption releases a taxpayer from an obligation to pay all or a portion of the taxes assessed on a parcel of property, based on specific conditions. The City of Boston extends the maximum benefit allowed by law to those who qualify for the following exemptions under Chapter 59, Section 5 of the Massachusetts General Laws:

Clause 17D	Surviving Spouse; Minor Child of a Deceased Parent; Elderly Persons over the Age of 70
Clause 18	Hardship
Clause 37A	Qualified Veteran (with a service-connected disability during the time of war)
Clause 41A	Tax Deferral (for persons over the age of 65)
Clause 41C	Elderly Person (over the age of 65 who meets certain financial requirements)
Clause 42	Surviving Spouse of a Firefighter or Police Officer killed in the line of duty
Clause 43	Minor Child of a Firefighter or Police Officer killed in the line of duty

In 2010, Mayor Menino and the City Council increased the exemption amount for the 41C Elderly Exemption from $500 to $750. In 2004, the City of Boston adopted the local option amendment to the 41C to reduce the eligibility age (from 70+ to 65+) and increase the income and asset limits.

Under the “Boston Bill”, taxpayers eligible for the 41C, 37A, 22 or 17D exemptions may also qualify for additional relief of up to twice the amount of the exemption. Additional relief is not granted in cases where the relief amount reduces the tax bill to a level below the prior year’s tax bill, or if the reduction lowers the taxable value of the property below 10% of the assessed value.

In 2009, Mayor Menino and the Boston City Council adopted a local option to increase the income limit for the tax deferral program from $40,000 to $49,000. In future years, the income limit will change based on cost-of-living factors (FY11: $51,000). A tax deferral may be considered when a senior’s continued homeownership becomes difficult, and must be repaid with interest once the property is transferred or upon the death of the owner.