



**City of Boston  
Assessing Department**

# **Property Tax Facts and Figures**

## **Fiscal Year 2012**

**THOMAS M. MENINO, MAYOR**

**Ronald W. Rakow, Commissioner of Assessing**

**January 2012**



## ASSESSING DEPARTMENT

Boston City Hall, Room 301, Boston, MA 02201

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January 27, 2012

Dear City of Boston Property Owner,

The City of Boston has completed the assessment of all taxable property for Fiscal Year 2012. The Fiscal Year 2012 assessments represent the full and fair cash value of property as of January 1, 2011.

Property Tax Facts and Figures - Fiscal Year 2012 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 2012 assessments and tax rates with those in earlier years and with those in other jurisdictions.

As always, we appreciate your comments.

Sincerely,

Ronald W. Rakow  
Commissioner of Assessing

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## HOW PROPERTY VALUES ARE DETERMINED

**T**he Assessing Department is statutorily required 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 2012 tax bill represents the fair cash value of property as of January 1, 2011. 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.

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 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

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## HOW PROPERTY VALUES ARE DETERMINED (CONT.)

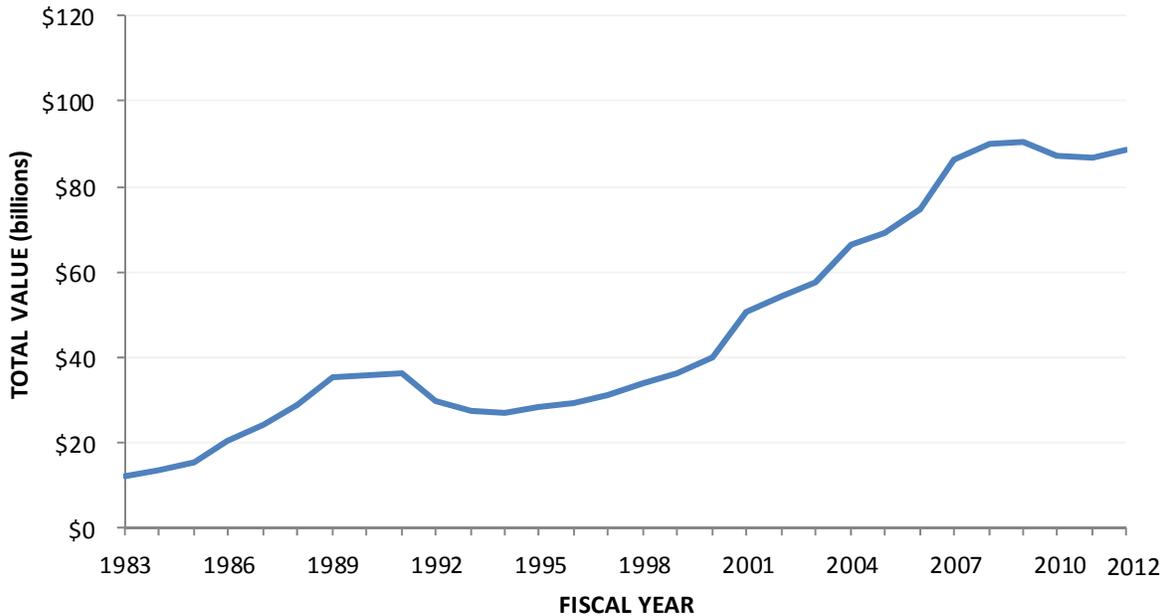
special-purpose properties that are not readily sold or rented.

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

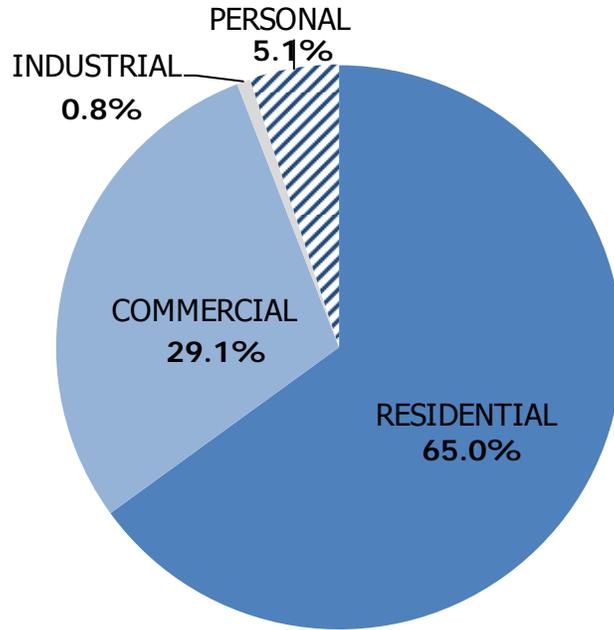
### Fiscal Years 1983-2012



<b>FISCAL YEAR</b>	<b>TOTAL VALUE</b>
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
2012	\$88,500,410,287

The tax base - total value of all taxable property assessed - increased from \$86.8 billion in Fiscal Year 2011 to \$88.5 billion in Fiscal Year 2012, an increase of \$1.7 billion or 2.0%.

**ASSESSMENTS: MAJOR CATEGORIES**  
Fiscal Year 2012



<b>PROPERTY TYPE</b>	<b>TOTAL VALUE</b>
RESIDENTIAL	\$57,517,785,218
COMMERCIAL	\$25,790,869,236
INDUSTRIAL	\$675,290,093
PERSONAL	\$4,516,465,740

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## ASSESSMENT DATES AND FISCAL YEAR

**I**n Massachusetts, state law requires that all property be assessed at its full market value as of January 1st preceding the start of the fiscal year.

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.

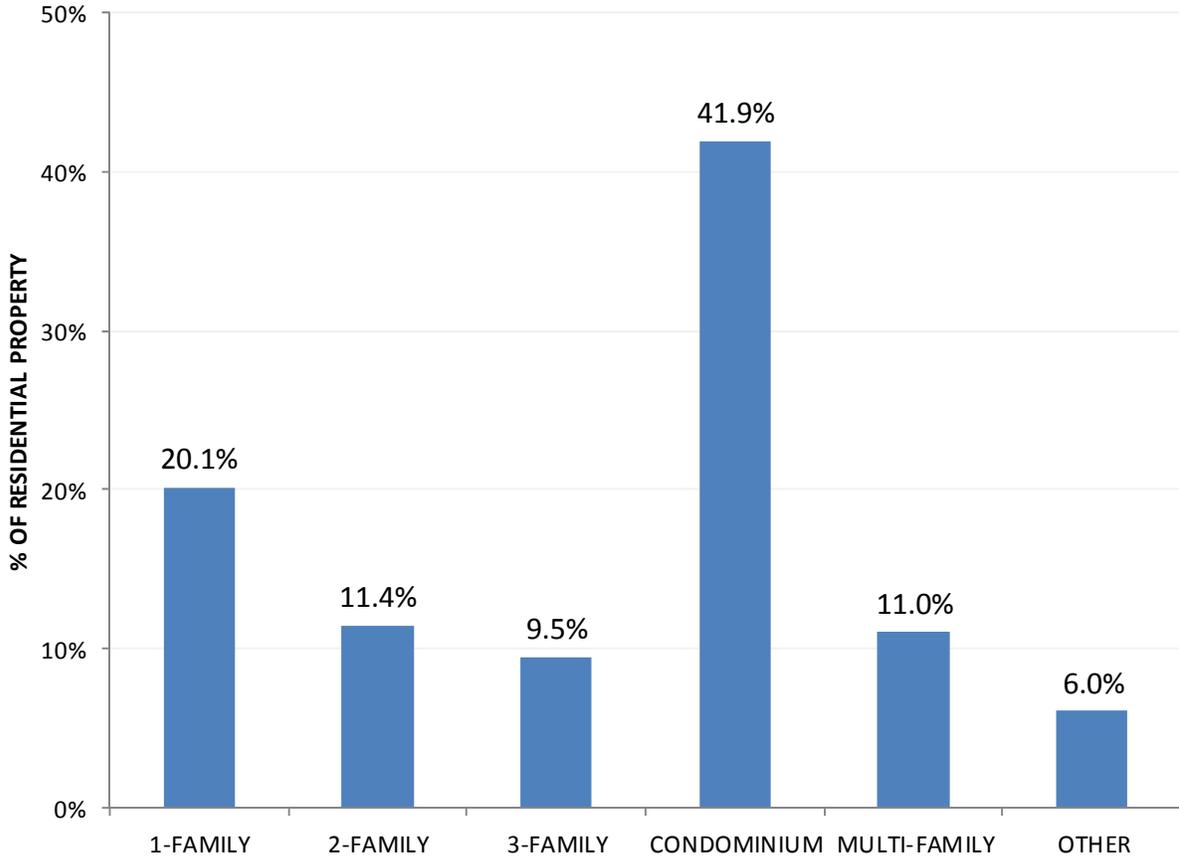
In Massachusetts, the fiscal year commences on July 1st and ends on the following June 30th.

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

2012 (July 1, 2011 to June 30, 2012) are based on the value of properties as of January 1, 2011.

**RESIDENTIAL ASSESSMENTS**  
Fiscal Year 2012



<b>PROPERTY TYPE</b>	<b>TOTAL VALUE</b>
1-FAMILY	\$11,572,293,936
2-FAMILY	\$6,581,292,161
3-FAMILY	\$5,440,378,854
CONDOMINIUM	\$24,101,155,015
MULTI-FAMILY	\$6,344,018,148
OTHER	\$3,478,647,104

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## PROPOSITION 2½

**P**roposition 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 tax bills.
- Provide for local overrides of the levy limit and a local option to exclude certain debt from the

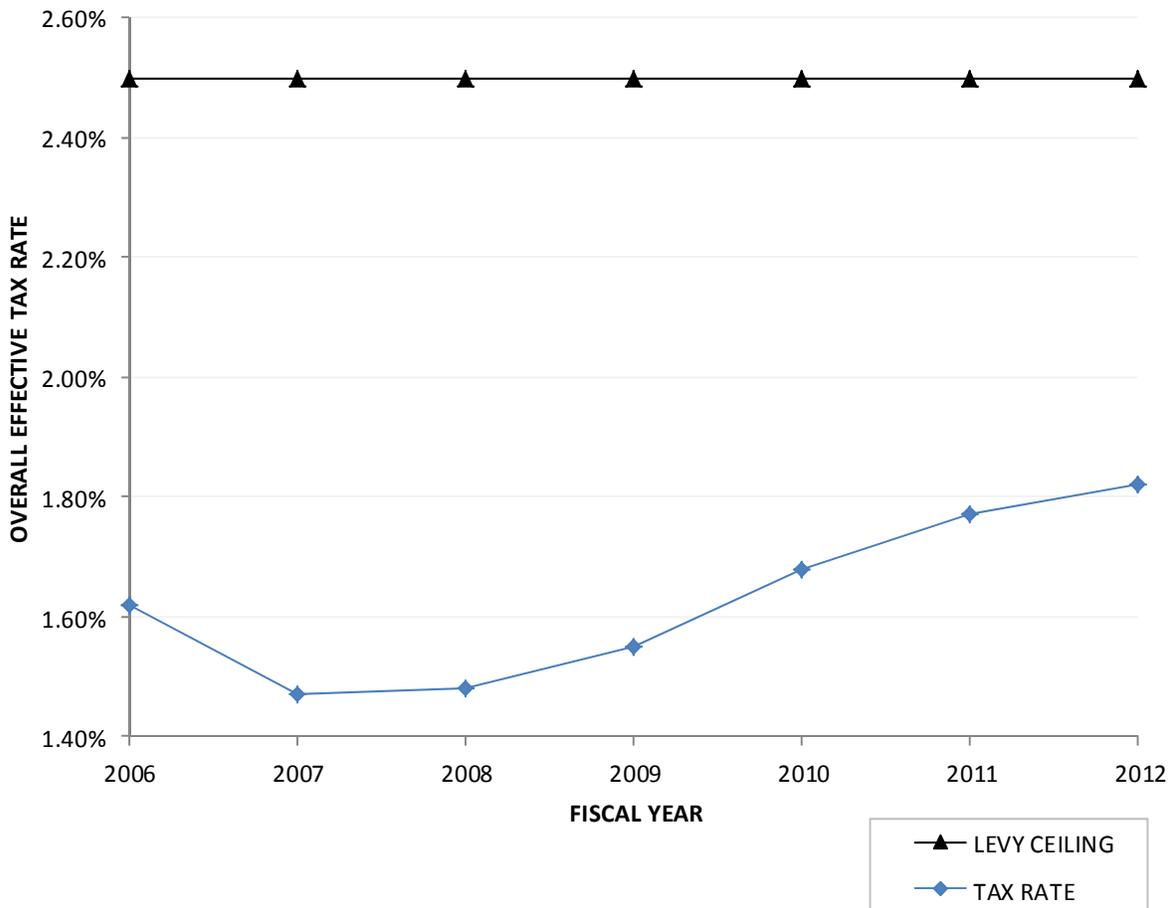
limit. Since the inception of Proposition 2½, the City of Boston has not voted either to override the levy limitations or exclude any debt as allowed by Proposition 2½.

For more information about Proposition 2½, please see Massachusetts General Laws Chapter 59, Section 21C.

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## OVERALL EFFECTIVE TAX RATES

### Fiscal Years 2006-2012



- The overall effective tax rate - taxes as a percent of value - is 1.82% in FY 2012.
- Under the provisions of Proposition 2½, the property tax may not exceed 2.5% of the value of all taxable property.

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## CLASSIFICATION

**I**n 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

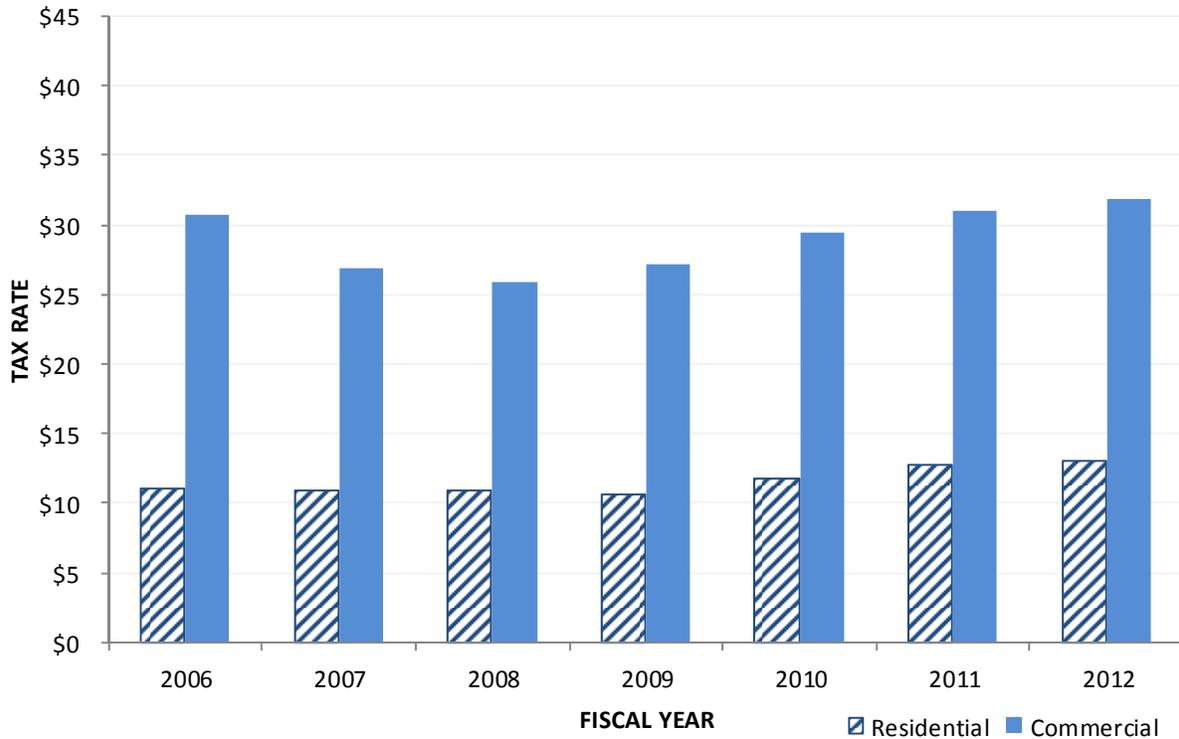
classification parameters. Chapter 3 of the Acts of 2004 created a sliding scale whereby the business sector, already responsible for 175% of the overall tax levy, shouldered a higher portion of the levy starting in 2004 (200%) and ending in 2009 (170%). In 2007, the business share of the levy was reset 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.

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## CLASSIFIED TAX RATES

### Fiscal Years 2006-2012



- The FY 2012 commercial, industrial, and personal property tax rate is \$31.92 per thousand dollars of value.
- The FY 2012 residential tax rate is \$13.04 per thousand dollars of value.

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## REVALUATION

**B**y law, all Massachusetts cities and towns must conduct a parcel-specific revaluation every three (3) years. The City of Boston last conducted a revaluation in Fiscal Year 2010. The next revaluation will be conducted in Fiscal Year 2013.

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.

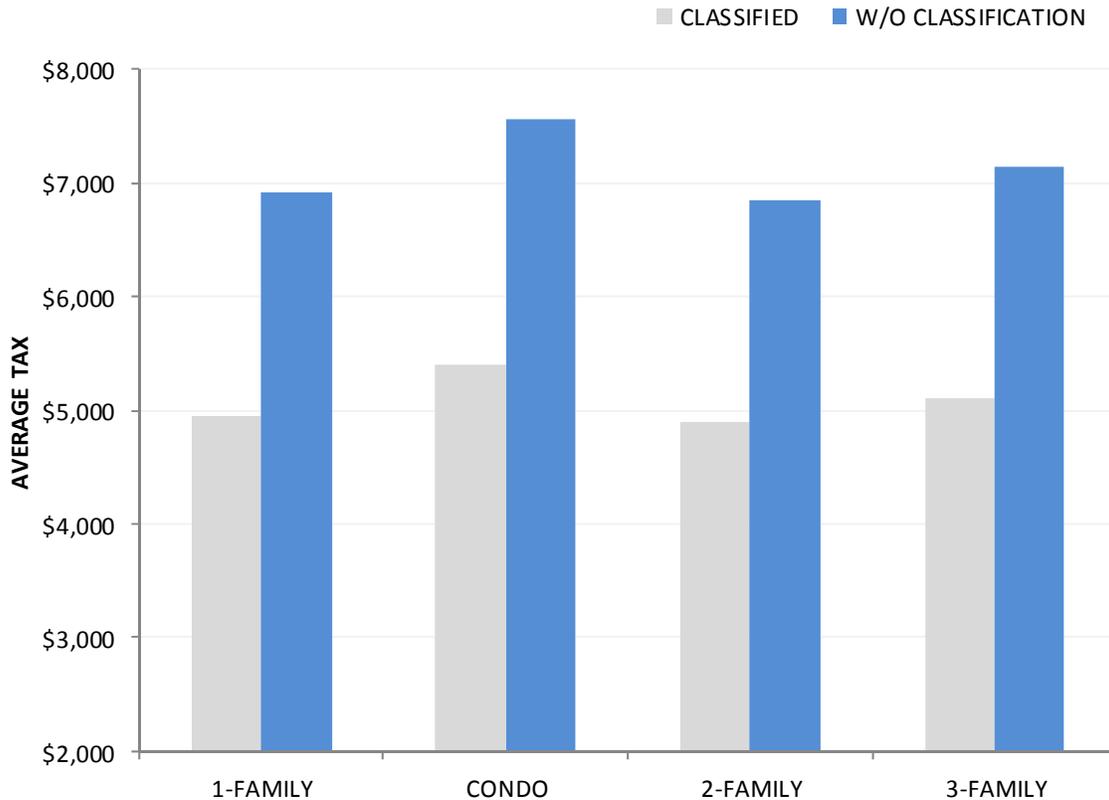
In the years between revaluations, the City, pursuant to state law, may trend values or employ market-indexing to keep property assessments accurate. For Fiscal Years 1983 – 2012, the City of Boston has complied with the full and fair cash value standard as follows:

FY83: Parcel-specific revaluation  
FY84: Market-indexed assessments  
FY85: Market-indexed assessments  
FY86: Parcel-specific revaluation  
FY87: Market-indexed assessments  
FY88: Market-indexed assessments  
FY89: Parcel-specific revaluation  
FY90: Property values stable  
FY91: Property values stable  
FY92: Parcel-specific revaluation  
FY93: Market-indexed assessments  
FY94: Market-indexed assessments  
FY95: Parcel-specific revaluation  
FY96: Market-indexed assessments  
FY97: Market-indexed assessments  
FY98: Parcel-specific revaluation  
FY99: Market-indexed assessments  
FY00: Market-indexed assessments  
FY01: Parcel-specific revaluation  
FY02: Market-indexed assessments  
FY03: Market-indexed assessments  
FY04: Parcel-specific revaluation  
FY05: Market-indexed assessments  
FY06: Market-indexed assessments  
FY07: Parcel-specific revaluation  
FY08: Market-indexed assessments  
FY09: Market-indexed assessments  
FY10: Parcel-specific revaluation  
FY11: Market-indexed assessments  
FY12: Market-indexed assessments

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## IMPACT OF CLASSIFICATION

### Fiscal Year 2012



- Without the implementation of classification to the benefit of residential taxpayers, average residential tax bills would increase substantially.
- Classification saves homeowners:
  - an average of \$1,973 on a single-family home;
  - an average of \$2,155 on a residential condominium;
  - an average of \$1,950 on a two-family home;
  - an average of \$2,036 on a three-family home.

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## QUARTERLY TAX BILLS

**T**he 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.

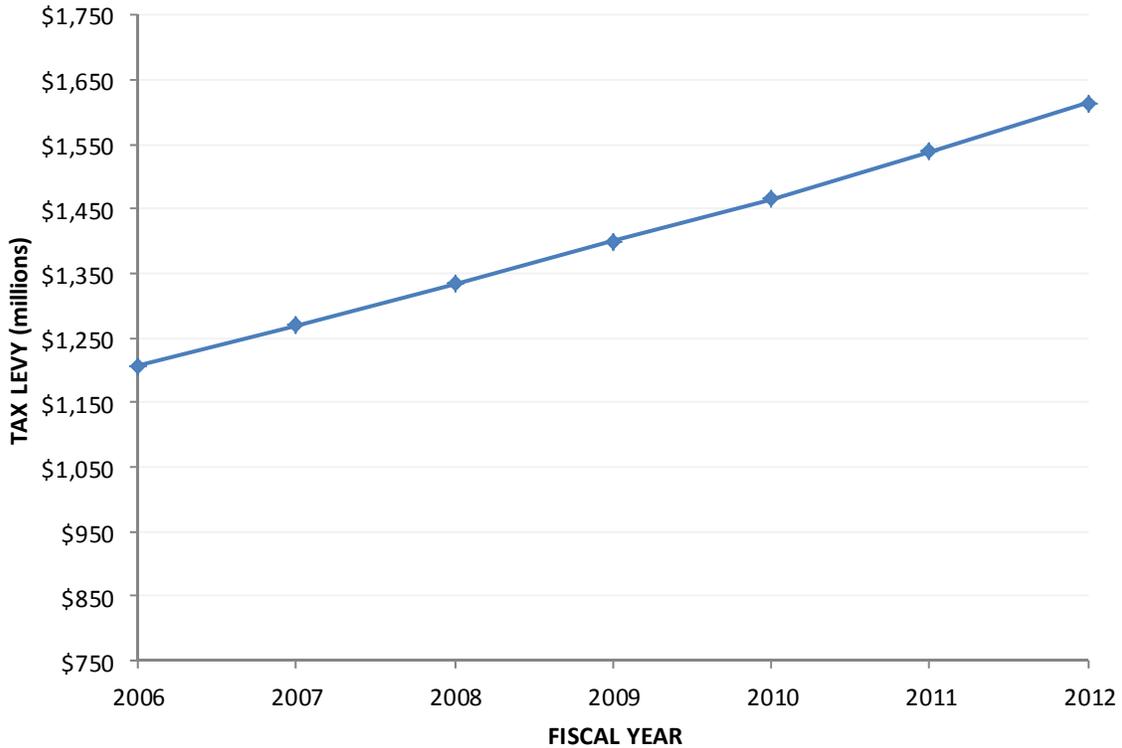
The third quarter bill is issued in late December of each year and indicates the fair cash value assessment for the fiscal year and the entire tax owed. The appropriate filing deadline dates for personal and residential exemption applications are based on the date of this bill. Any exemption for which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

Qtr	Date of Issue	Payment Due
Q1	July 1, 2011	August 1, 2011
Q2	September 30, 2011	November 1, 2011
Q3	December 30, 2011	February 1, 2012
Q4	March 30, 2012	May 1, 2012

**TOTAL PROPERTY TAX LEVY**  
**Fiscal Years 2006-2012**



<b>FISCAL YEAR</b>	<b>TAX LEVY</b>
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
2012	\$1,614,028,834

The tax levy increased from \$1.540 billion in Fiscal Year 2011 to \$1.614 billion in Fiscal Year 2012, an increase of \$74 million, or approximately 4.8%.

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## NEW GROWTH

**P**roposition 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.

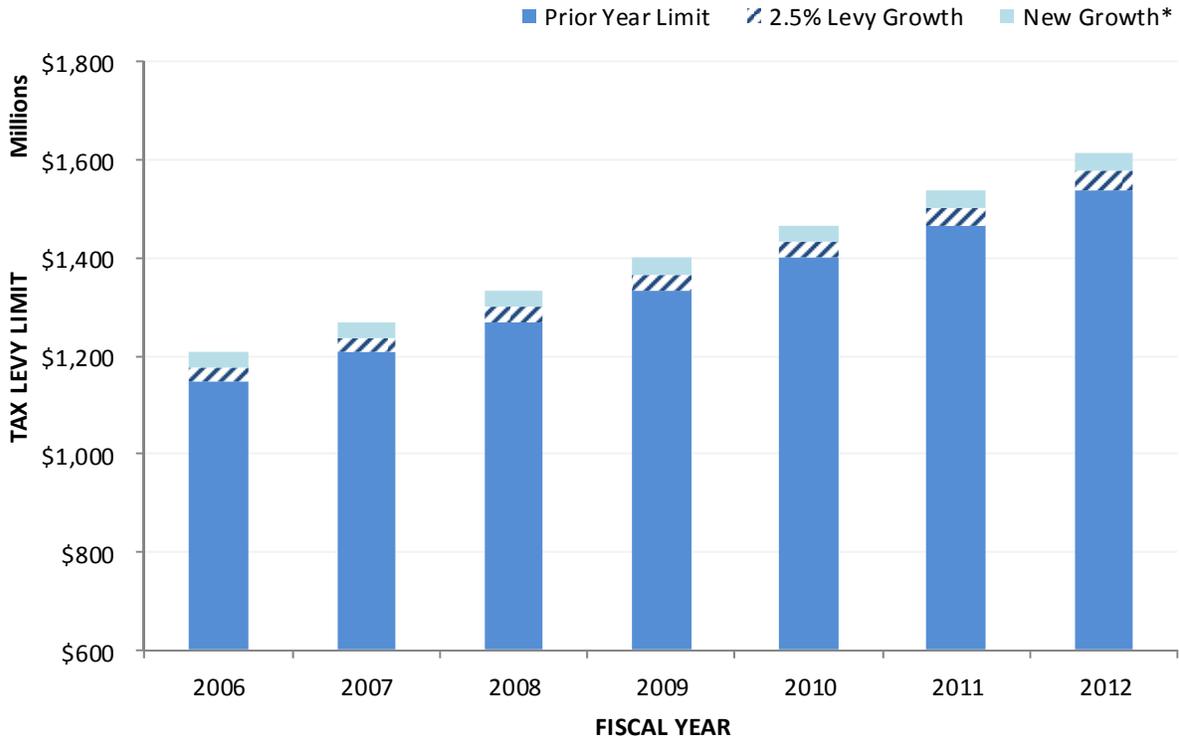
New growth is calculated by multiplying the increase in the assessed valuation of a newly taxable property by the prior year's tax rate for the appropriate class of property.

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.

## TAX LEVY LIMIT

### Fiscal Years 2006-2012



### Tax Levy Limit (millions)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
PRIOR YEAR LIMIT	\$1,149.2	\$1,207.8	\$1,271.0	\$1,334.3	\$1,400.6	\$1,465.2	\$1,539.7
2½% LEVY GROWTH	\$28.8	\$30.2	\$31.8	\$33.3	\$35.0	\$36.6	\$38.5
NEW GROWTH*	\$29.8	\$33.1	\$31.5	\$33.0	\$29.6	\$37.8	\$36.5
<b>TOTAL:</b>	<b>\$1,207.8</b>	<b>\$1,271.0</b>	<b>\$1,334.3</b>	<b>\$1,400.6</b>	<b>\$1,465.2</b>	<b>\$1,539.7</b>	<b>\$1,614.7</b>

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

**PROPERTY TAX RECAP**  
**Fiscal Years 2006-2012**

	CLASS	TOTAL VALUE	VALUE PERCENT	TOTAL LEVY	LEVY PERCENT	TAX RATE	RESIDENTIAL EXEMPTION
FY12	RESIDENTIAL	\$57,517,785,218	65.0%	\$625,063,442	38.7%	\$13.04	\$1,644.28
	COMMERCIAL	25,790,869,236	29.1%	823,244,546	51.0%	31.92	
	INDUSTRIAL	675,290,093	0.8%	21,555,260	1.3%	31.92	
	PERSONAL	4,516,465,740	5.1%	144,165,586	8.9%	31.92	
	TOTAL	\$88,500,410,287		\$1,614,028,834			
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			

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## RESIDENTIAL EXEMPTION

**T**he residential exemption is a reduction in real estate taxes for those homeowners who occupy their property as the principal residence. Per Massachusetts General Laws Chapter 59, Section 5C, the residential exemption is a local option that must be adopted by "the board of selectmen or mayor, with the approval of the city council, as the case may be." According to the statute, the exemption can be set at no more than 20% of the average assessed value of all Class One residential property. The City Council, with the approval of the Mayor, has chosen the maximum exemption allowed by law in each year since the exemption was made available in 1983.

In 2000, the City filed a home rule petition to increase the residential exemption to 30% of the average assessed value of all Class One residential property. The Legislature enacted Chapter 403 of the Acts of 2000, and since that time Mayor Menino, with the approval of the Boston City Council, has offered the residential

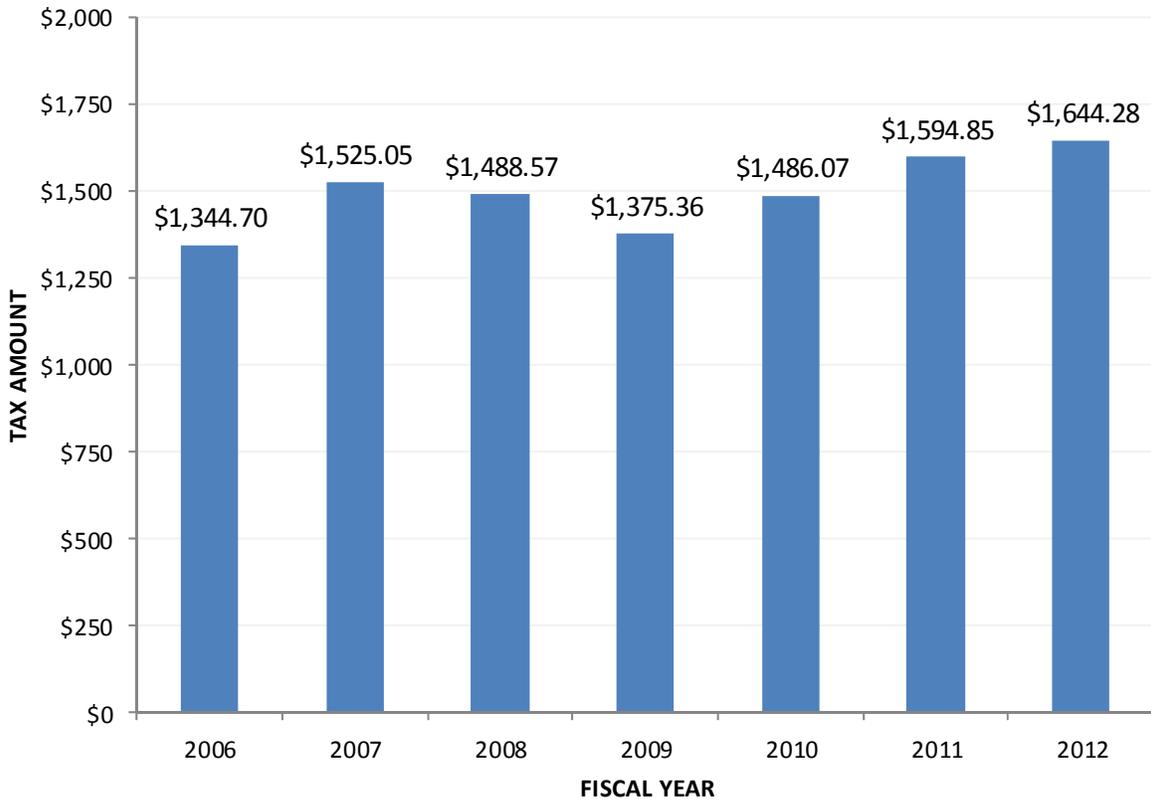
exemption at the maximum (30%).

To qualify for the residential exemption, homeowners must own and occupy their property as the principal residence as of January 1 preceding the tax year.

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## RESIDENTIAL EXEMPTION

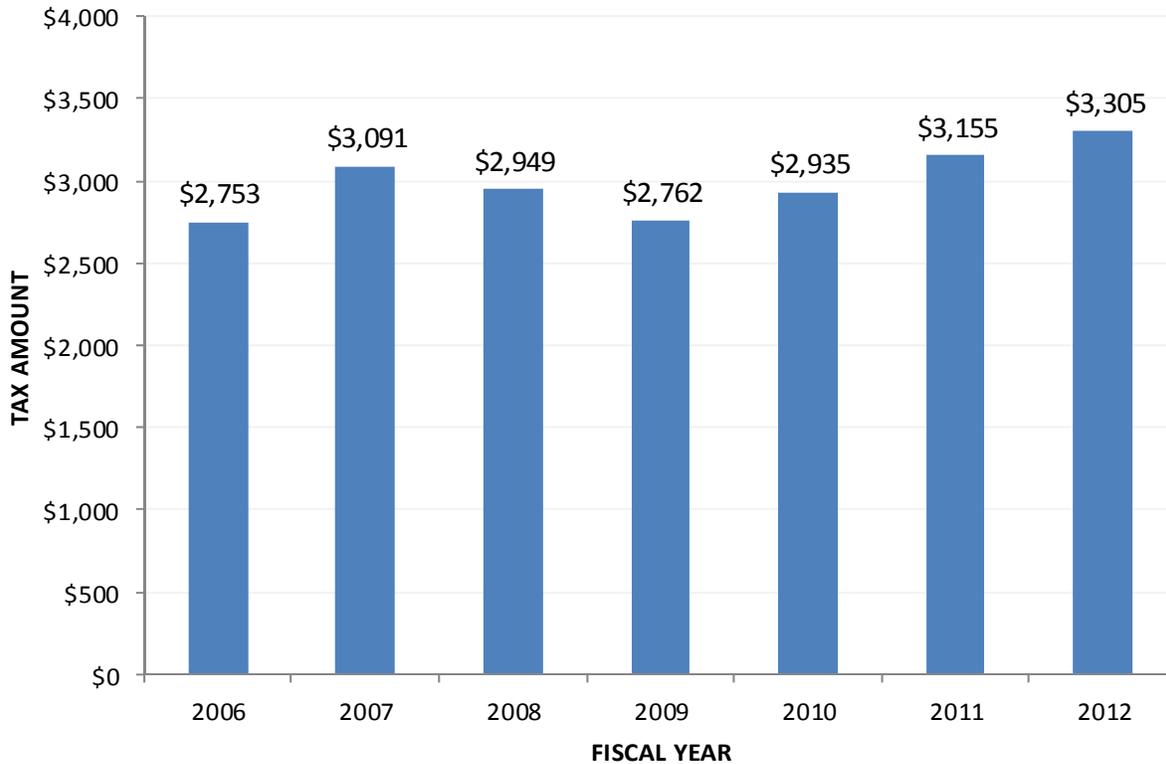
### Fiscal Years 2006-2012



This year's residential exemption of \$1,644.28 is \$49.43 more than last year's exemption of \$1,594.85.

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## AVERAGE RESIDENTIAL PROPERTY TAX Single-Family Homes: Fiscal Years 2006-2012



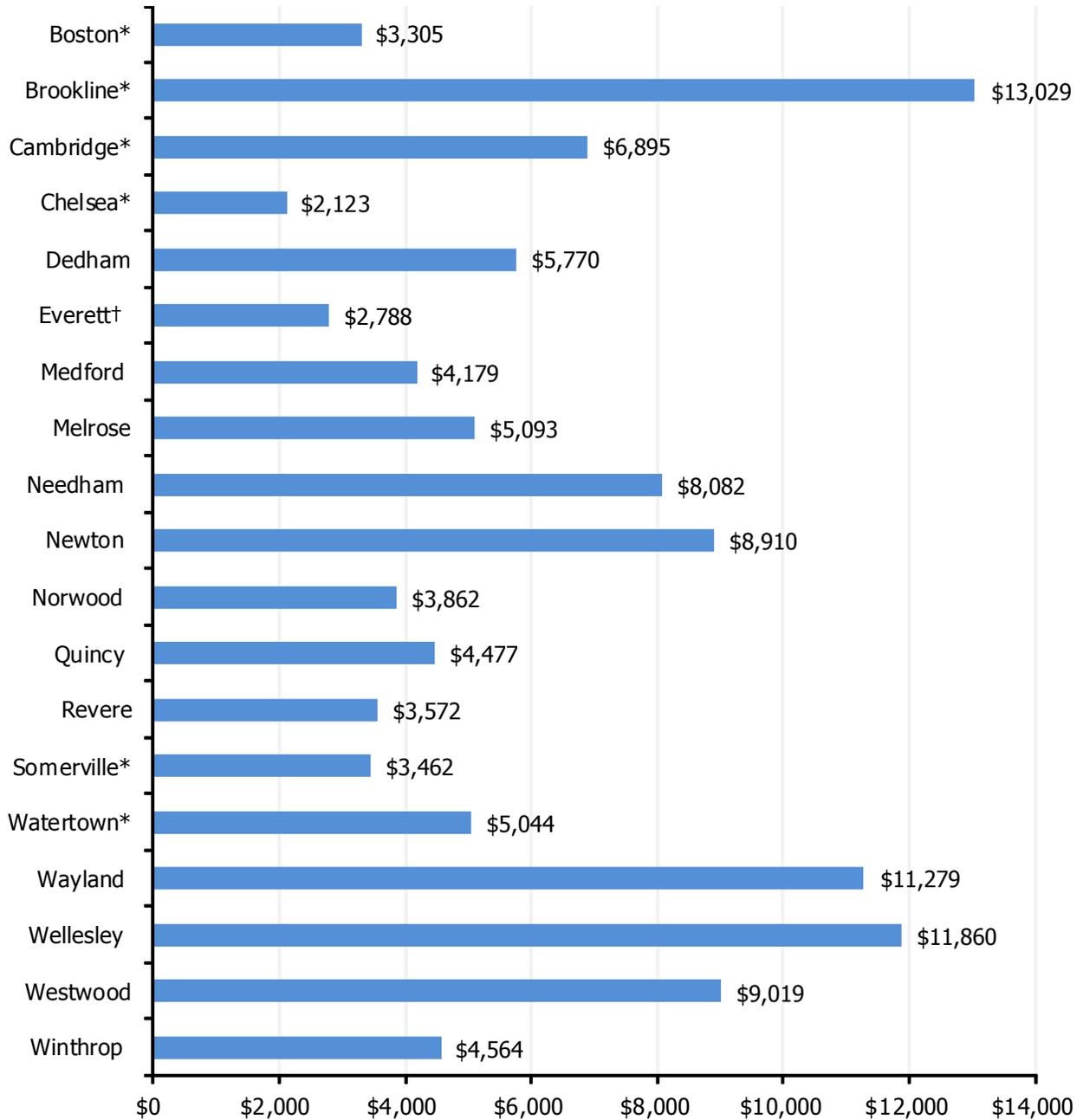
- The average tax for a residential homeowner increased \$150, from \$3,155 in FY 2011 to \$3,305 in FY 2012.
- The Boston average tax bill of \$3,305 for a single-family home continues to rate among the lowest for all communities in the greater Boston area, and is well below the FY 2011 statewide average of \$4,537<sup>1</sup>.

<sup>1</sup>Massachusetts Department of Revenue, Property Tax Information.

## AVERAGE RESIDENTIAL TAXES: GREATER BOSTON

### Single-Family Homes: Fiscal Year 2012

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



\*Community provides residential exemption.

†FY 2011 figures

## 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
Clause 56	National Guard

In 2011, Mayor Menino and the City Council approved a new National Guard

Exemption program that will provide tax relief to those homeowners in the National Guard or Military Reserve serving overseas during the fiscal year. Qualified applicants will be eligible for a 100% reduction in real estate taxes for the given year.

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.

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## PERSONAL EXEMPTIONS (CONT.)

In future years, the income limit will change based on cost-of-living factors (FY12: \$52,000). 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.