



Property Tax Facts & Figures

City of Boston Assessing Department
Martin J. Walsh, Mayor • Fiscal Year 2016

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A photograph of a city skyline, likely Boston, featuring several tall skyscrapers and a prominent clock tower. The image is used as a background for the title.

FACTS & FIGURES FISCAL YEAR 2016

The City of Boston Assessing Department's annual *Property Tax Facts & Figures* report presents an overview of property taxes in Boston using charts and tables to illustrate historical trends. The property tax data in this report allows a taxpayer to compare Fiscal Year 2016 assessments and tax rates with those in prior years and with those in other municipalities. Background information on the assessment process as well as relevant statutory considerations are offered for contextual purposes.

The Assessing Department has published the *Facts & Figures* reports for many years as a useful resource for taxpayers. Prior-year reports can be obtained by accessing the Assessing Department website at www.cityofboston.gov/assessing.

Real and Personal Property

In taxation, the term "property" includes both real and personal property. Since they are taxed separately, a careful distinction between the two is necessary. Real Property includes land and all improvements. It is the physical land and everything attached to it, including everything under the ground (water and mineral rights) and everything above the ground. It includes all benefits, rights, interests and limitations inherent in the ownership of the real estate. Personal property consists of any tangible assets owned by an individual, a business, or an organization which are not real estate and which are not permanently affixed to a particular building.

How Property Values are Determined

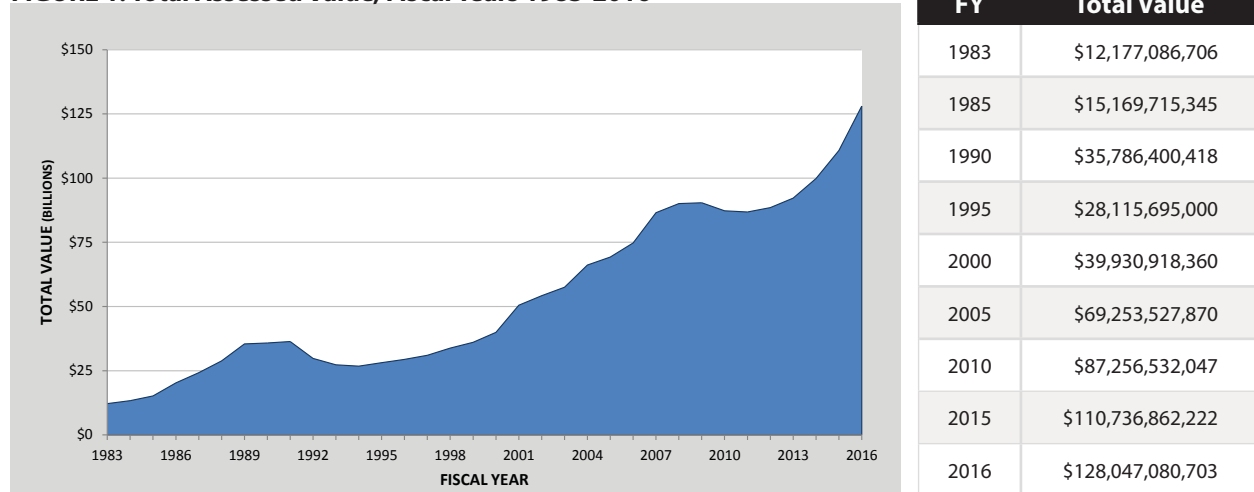
The Assessing Department is statutorily required to assess all property at its full and fair cash value as of January 1 of each year (Massachusetts General Laws, Chapter 59, Section 38). The assessed value for the Fiscal Year 2016 tax bill represents the fair cash value of property as of January 1, 2015. 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 determining property value: market, income and cost.

Market Approach. Market sales of similar properties which sold in the year prior to January 1 are analyzed, compared and adjusted to forecast what the property would sell for on January 1. 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

FIGURE 1: Total Assessed Value, Fiscal Years 1983-2016



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.

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 was most recently certified in Fiscal Year 2016.

Assessment Dates and Fiscal Year

In 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.

Property taxes are assessed for the fiscal year which, in Massachusetts, begins on July 1st and ends on June 30th, based on the value of the property as of the previous January 1st. For example, property taxes for Fiscal Year 2016 (July 1, 2015 to June 30, 2016) are based on the value of properties as of January 1, 2015.

Fiscal Year 2016 Assessed Values

In Fiscal Year 2016, property assessments generally reflected a rising real estate market with most neighborhoods exhibiting greater levels of appreciation compared to the prior year. These market effects are reflected in the Fiscal Year 2016 assessments on which the tax bills are based.

The tax base - that is, total value of all taxable property assessed - increased from \$110.7 billion

in Fiscal Year 2015 to \$128.0 billion in Fiscal Year 2016, an increase of \$17.3 billion or 15.6%. See Figure 1 for historic trends in the City of Boston's total assessed value, as well as Appendix A for assessed values by class for fiscal years 2010 to 2016.

Revaluation

In Fiscal Year 2016, as mandated by state law, the City conducted a revaluation. By law, all Massachusetts cities and towns must conduct a revaluation every three (3) years. The Massachusetts Department of Revenue ("DOR") applies a rigorous certification process when a community revalues its property, requiring 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, must adjust property assessments consistent with real estate market trends. The next revaluation will take place in Fiscal Year 2019.

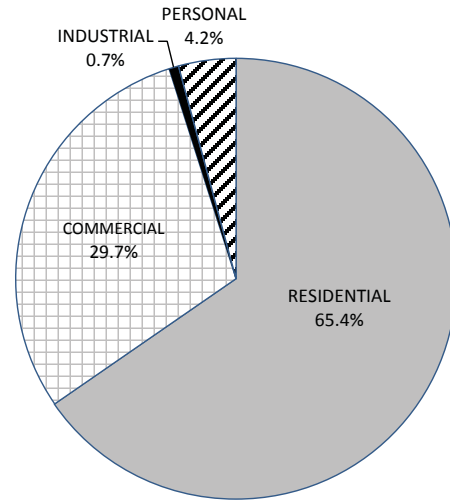
Classification

In 1978, the citizens of the Commonwealth approved a constitutional amendment authorizing the Legislature to classify real property into as many as four (4) classes and to tax these classes differently. Assessors in Massachusetts must assign all property in the city or town according to its use: residential, open space, commercial, industrial, and personal. Each parcel must always be assessed at full and fair cash value. The City's composition of real and personal property is shown in Figure 2.

Class One: Residential. Includes all property containing one or more units used for human habitation. The class includes accessory land and buildings such as garages and sheds. Single-family homes are in this class, as are large apartment buildings. Hotels and motels are not included in this class. See Figure 3 for a breakdown of residential property by type.

Class Two: Open Space. Includes land maintained in an open or natural condition, which contributes

FIGURE 2: Classes of Property, Fiscal Year 2016



Property Type	Total Value
Residential	\$83,719,422,425
Commercial	\$38,031,832,832
Industrial	\$908,352,119
Personal	\$5,387,473,327
TOTAL	\$128,047,080,703

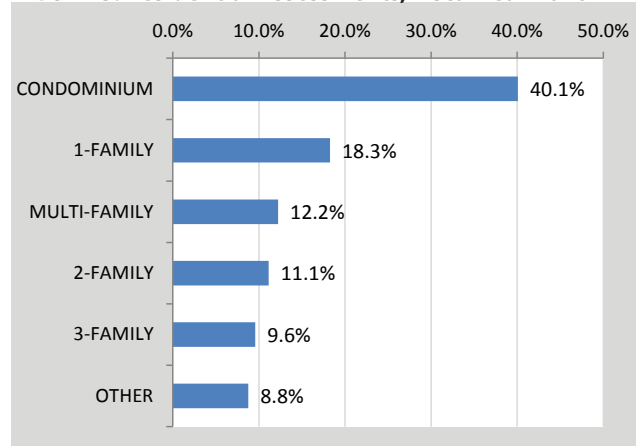
significantly to the benefit and enjoyment of the public. Such land cannot be held for the production of income. The Open Space classification, which is a local option, is not used by the City of Boston.

Class Three: Commercial. Includes any property held for the purpose of conducting a business, such as office buildings, retail stores, etc.

Class Four: Industrial. Includes any property involved in manufacturing, processing or extraction. It includes utility real property used for storage and generation purposes.

Personal Property. Contains all taxable personal property of individuals, partnerships, associations, and certain corporations. A large portion of this class is owned by public utilities.

FIGURE 3: Residential Assessments, Fiscal Year 2016



Type	Total Value	Type	Total Value
1-Family	\$15,280,074,054	Condominium	\$33,550,292,439
2-Family	\$9,306,850,992	Multi-Family	\$10,226,935,806
3-Family	\$8,014,195,689	Other	\$7,341,073,445

Changes in Classification Law

Following the passage of the classification amendment, the Legislature established statutory limits on the discount available to residential property, as well as the maximum increase that could be placed on business properties. Under the original legislation, the tax rate for residential property could be discounted down to 65% of the non-classified tax rate (i.e., what the rate would be without classification), provided that this rate did not increase the tax rate for business properties to more than 150% of the non-classified rate.

Between 1983 and 1987, however, rapid appreciation in housing 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. With the exception of a short-term adjustment in the classification formula in the early 2000s, the formula has remained at these limits.

Impact of Classification

Preferential tax treatment for residential property is not required by the Commonwealth. However, in Boston, the City Council, with the approval of the Mayor, has chosen to fully implement classification - a local option - thereby reducing the residential tax rate to the lowest level allowed by law. Without classification, residential taxpayers would see their property taxed at a much higher rate.

The Fiscal Year 2016 classified tax rate for residential property is \$11.00 per thousand of property value, while the classified tax rate for commercial, industrial, and personal property is \$26.81 per thousand of property value. Trends in classified tax rates for fiscal years 2010 to 2016 are displayed in Figure 4. See Appendix A for specific tax rates for fiscal years 2010 to 2016.

In Fiscal Year 2016, classification resulted in substantial savings for the City's residential taxpayers (Figure 5). On average, classification saved homeowners:

- \$2,156 on a single-family home;
- \$2,403 on a residential condominium;
- \$2,310 on a two-family home; and
- \$2,508 on a three-family home.

FIGURE 4: Classified Tax Rates, Fiscal Years 2010-2016

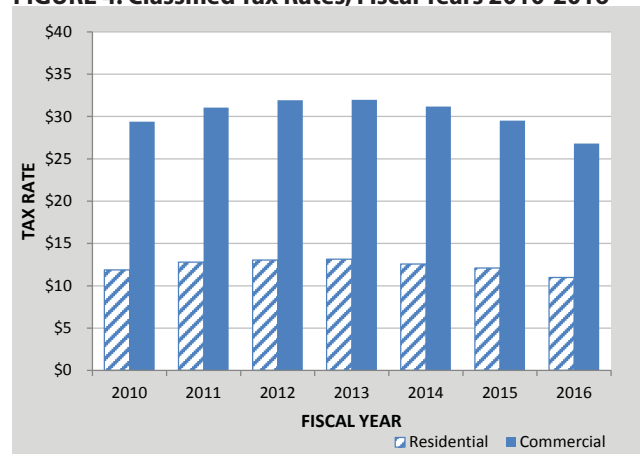
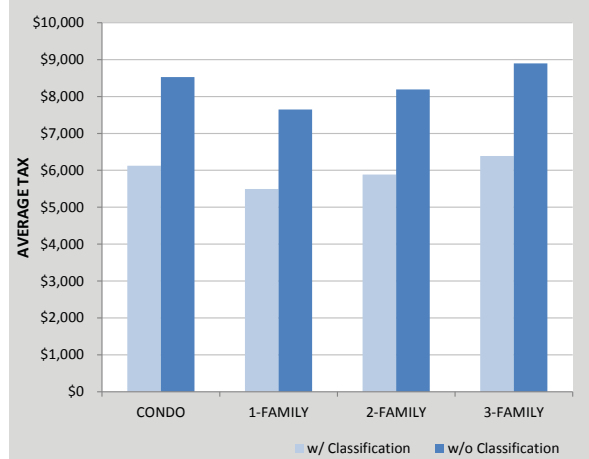


FIGURE 5: Impact of Classification, Fiscal Year 2016



Tax Levy

Proposition 2½

Proposition 2½, 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, not to 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.

Under the provisions of Proposition 2½, the property tax may not exceed 2.5% of the value of all taxable property. In Fiscal Year

2016, the overall effective tax rate - taxes as a percent of value - was 1.53%. Overall effective tax rates for fiscal years 2010 to 2016 are shown in Figure 6. For more information about Proposition 2½, see Massachusetts General Laws Chapter 59, Section 21C.

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.

FIGURE 6: Overall Effective Tax Rates, FYs 2010-2016

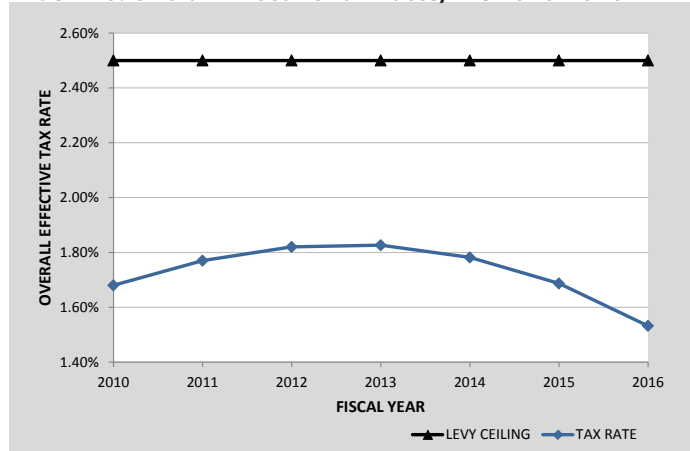
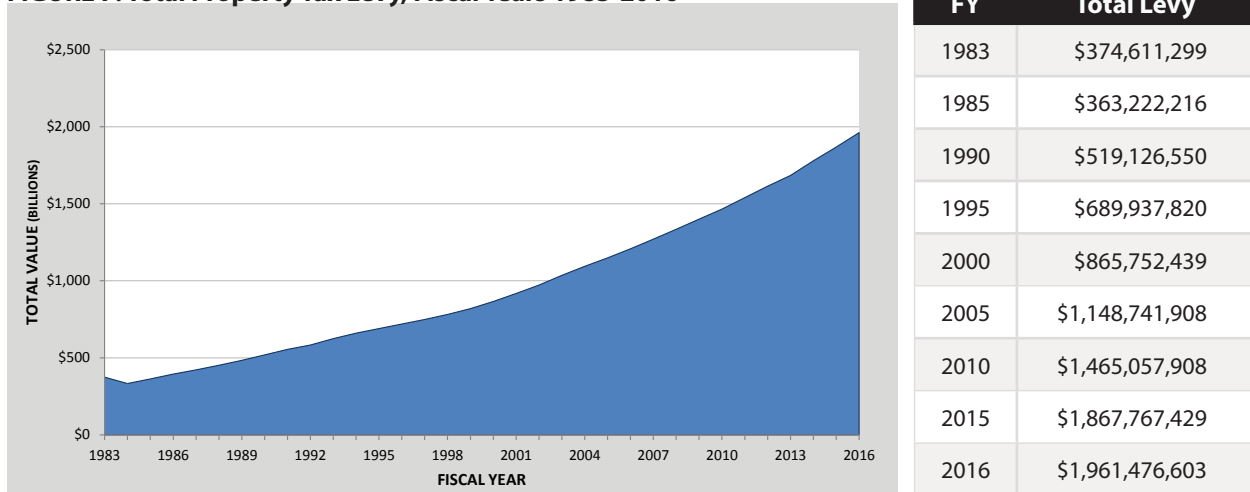


FIGURE 7: Total Property Tax Levy, Fiscal Years 1983-2016



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.

Fiscal Year 2016 Tax Levy

The Fiscal Year 2016 tax levy is \$1.961 billion, an increase of \$93.5 million (5.0%) over last year. Historical tax levy information is displayed in Figure 7. Of the levy growth, \$47.6 million is the result of new construction and properties being added to the tax base, as well as amended growth from the prior year. The remaining \$46.7 million is the 2.5% increase allowed under the provision of Proposition 2½. Levy Limit trends from fiscal years 2010 to 2016 is displayed in Figure 8. Specific Levy Limit data (Prior-Year Limit, 2.5% growth, and new growth amounts) is provided in Appendix B.

Tax Bills

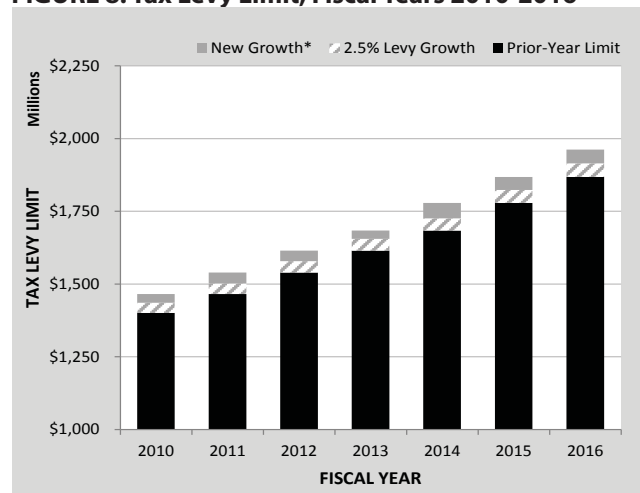
Quarterly Tax Billing

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.

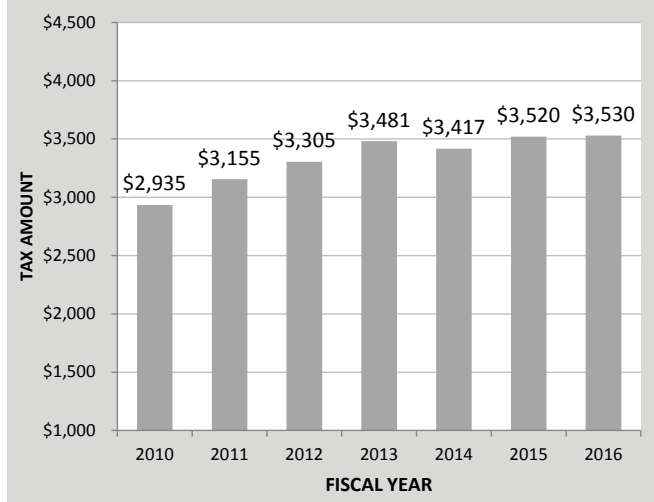
The third quarter bill is issued in late December of each year and indicates the fair cash value assessment for the fiscal year and the entire tax owed. Any exemption for which a taxpayer is eligible appears as a credit on this bill. The tax due, less the earlier preliminary payments and any exemption for which the taxpayer is eligible, is payable in two equal installments that are due on February 1 and May 1 of the tax year.

FIGURE 8: Tax Levy Limit, Fiscal Years 2010-2016



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

FIGURE 9: Average Single-Family Tax Bill, Fiscal Years 2010-2016



Average Single-Family Tax Bill

The average single-family tax bill increased by \$10, from \$3,520 last year to \$3,530 in Fiscal Year 2016 for taxpayers receiving the residential exemption. A comparison of average single-family tax bill amounts for fiscal years 2010 to 2016 is provided in Figure 9. Residential taxes in Boston remain extremely competitive compared to neighboring cities and towns (see Appendix C). The average residential tax bill in Boston is 35% below this year’s statewide average of \$5,438 (source: Massachusetts Department of Revenue).

Property Tax Relief

Residential Exemption

The 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

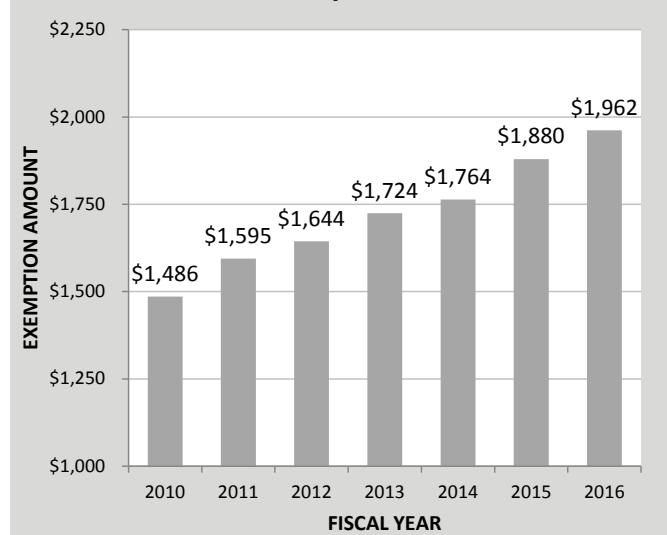
the Mayor, has chosen the maximum exemption allowed by law in each year since the exemption was made available in 1983.

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 the City has offered the residential exemption at the maximum (30%) level.

In Fiscal Year 2016, the residential exemption amount was \$1,961.58, which was equivalent to a property value reduction of \$178,325. The Fiscal Year 2016 residential exemption increased \$82.05 over the prior year exemption amount (\$1,879.53). See Figure 10 for a comparison of residential exemption amount for fiscal years 2010 to 2016.

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. For Fiscal Year 2016, homeowners must have owned and occupied their property as the principal residence on January 1, 2015.

FIGURE 10: Residential Exemption, Fiscal Years 2010-2016



Personal Exemptions and Tax Deferral Programs

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 exemptions shown in Table 1 under Chapter 59, Section 5 of the Massachusetts General Laws.

In 2011, the City of Boston approved a new National Guard Exemption program to 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 Fiscal Year 2016, the Boston City Council extended the National Guard exemption program for an additional period of two years.

In 2010, 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. No exemption may lower the taxable value of the property below 10% of the assessed value.

A tax deferral may be considered when a taxpayer's continued homeownership becomes difficult (Table 2). For the 41A Tax Deferral for seniors over the age of 65, deferred taxes must be repaid with interest once the property is transferred or upon the death of the owner. In 2009, the City of Boston 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. In Fiscal Year 2016, the income limit was \$57,000.

TABLE 1: Personal Exemptions

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

TABLE 2: Tax Deferral Programs

Clause	Program
18A	Tax Deferral for hardship caused by a change in active military status
41A	Tax Deferral for persons over the age of 65

The 18A Tax Deferral allows taxpayers who are experiencing financial hardship as a result of a change to active military status to defer their taxes for no more than 3 fiscal years. The applicable rate of interest is 8% while a Tax Deferral & Recovery Agreement is in place and 14% once the Agreement is terminated.

Data Resources

Property data is available for download at no cost on the Assessing Department website via Data Boston. GIS access is also available on the City's BostonMaps site, www.cityofboston.gov/maps. Specific parcel data, including a parcel map, can be obtained by visiting Assessing Online on the Assessing Department website and searching for parcels using owner name, address, or parcel identification number (PID). The link for Assessing Online is www.cityofboston.gov/assessing/search.

Appendix A

PROPERTY TAX RECAP

Fiscal Years 2010-2016

	CLASS	TOTAL VALUE	VALUE PERCENT	TOTAL LEVY	LEVY PERCENT	TAX RATE	RESIDENTIAL EXEMPTION
FY16	RESIDENTIAL	\$83,719,422,425	65.4%	\$773,052,085	39.4%	\$11.00	\$1,961.58
	COMMERCIAL	38,031,832,832	29.7%	1,019,633,438	52.0%	26.81	
	INDUSTRIAL	908,352,119	0.7%	24,352,920	1.2%	26.81	
	PERSONAL	5,387,473,327	4.2%	144,438,160	7.4%	26.81	
	TOTAL	\$128,047,080,703		\$1,961,476,603			
FY15	RESIDENTIAL	\$72,346,068,366	65.3%	\$734,471,194	39.3%	\$12.11	\$1,879.53
	COMMERCIAL	32,451,521,456	29.3%	957,968,913	51.3%	29.52	
	INDUSTRIAL	785,061,568	0.7%	23,175,017	1.2%	29.52	
	PERSONAL	5,154,210,832	4.7%	152,152,304	8.1%	29.52	
	TOTAL	\$110,736,862,222		\$1,867,767,429			
FY14	RESIDENTIAL	\$64,541,402,530	64.6%	\$678,415,075	38.1%	\$12.58	\$1,763.84
	COMMERCIAL	29,631,862,869	29.7%	923,921,484	51.9%	31.18	
	INDUSTRIAL	707,563,713	0.7%	22,061,837	1.2%	31.18	
	PERSONAL	4,951,983,447	5.0%	154,402,844	8.7%	31.18	
	TOTAL	\$99,832,812,559		\$1,778,801,240			
FY13	RESIDENTIAL	\$60,147,396,114	65.2%	\$659,303,136	39.2%	\$13.14	\$1,724.47
	COMMERCIAL	26,762,023,122	29.0%	855,314,259	50.8%	31.96	
	INDUSTRIAL	707,703,032	0.8%	22,618,189	1.3%	31.96	
	PERSONAL	4,582,149,430	5.0%	146,445,496	8.7%	31.96	
	TOTAL	\$92,199,271,698		\$1,683,681,079			
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			

Appendix B

Tax Levy Limit (\$ millions)

Fiscal Years 2010-2016

	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Prior-Year Limit	\$1,400.6	\$1,465.2	\$1,539.7	\$1,614.7	\$1,683.8	\$1,779.0	\$1,868.0
2½% Levy Growth	\$35.0	\$36.6	\$38.5	\$40.4	\$42.1	\$44.5	\$46.7
New Growth*	\$29.6	\$37.8	\$36.5	\$28.7	\$53.1	\$44.5	\$47.6
TOTAL	\$1,465.2	\$1,539.7	\$1,614.7	\$1,683.8	\$1,779.0	\$1,868.0	\$1,962.3

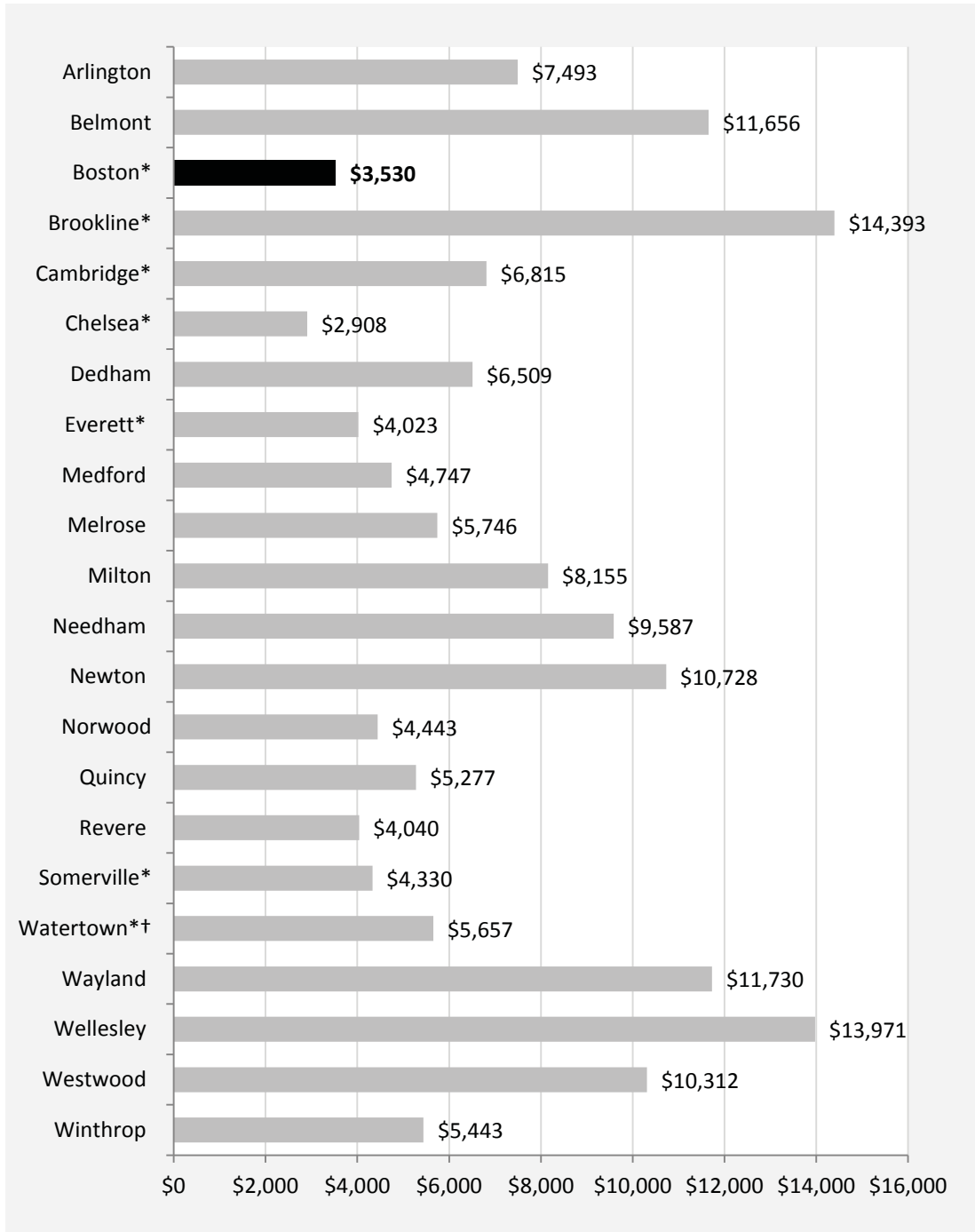
*New Growth includes amended growth from the prior fiscal year.

Appendix C

Average Residential Taxes: Greater Boston

Single-Family Homes, Fiscal Year 2016

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



*Community offers a residential exemption to qualified taxpayers.

†Shows FY 2015 single-family tax amount since FY 2016 amount was not available at the time of publication.