

OFFERED BY COUNCILOR BRIAN WORRELL



CITY OF BOSTON

IN THE YEAR TWO THOUSAND TWENTY SIX

**HOME-RULE PETITION REGARDING VARIOUS
TAX CLASSIFICATION DEFINITIONS, EXEMPTIONS,
AND CREDITS**

WHEREAS, The City of Boston has used property tax as its largest source of revenue for decades, with it accounting for \$3.47 billion of its projected revenue, 72 percent, in FY26, and \$3.3 billion of its revenue, 70 percent, in FY25; *and*

WHEREAS, Declining commercial values and rising residential values led to residents paying their largest share of property taxes in at least four decades in FY25, according to Boston Municipal Research Bureau; *and*

WHEREAS, A temporary shift in the tax burden on commercial properties from 175 percent to 181 percent, and an increase in the residential homeowners exemption from 35 percent to 40 percent have both been floated as worthy short-term solutions to the shifting tax burden problem; *and*

WHEREAS, A long-term solution in Boston's property tax code that works within the state's current Proposition 2.5 rules should emphasize fairness and protect homeowners and the majority of renters; *and*

WHEREAS, Under current tax code, large multi-family rental properties are financed, transacted, and assessed using income-based methods typical of commercial assets, yet are currently billed at the residential rate; *and*

WHEREAS, An example of this is a 307-unit apartment building in Seaport that is assessed at \$124 million, pays \$1.4 million in annual taxes, amounting to \$4,560 per unit despite asking for an average of \$9,000 per unit in monthly rent, while a 2-bedroom unit owned by a small landlord in South Boston pays \$11,510 in annual taxes on that unit despite its monthly rent being \$4,000; *and*

WHEREAS, Charging large apartment buildings with 30 units or more a commercial rate and giving them a housing exemption of 10 percent would cause the above 307-unit building to pay \$3.25 million in taxes, about \$10,586 per unit, and the small landlord's tax burden would be lowered to \$10,228 for the above 2-bedroom unit; *and*

WHEREAS, By reclassifying large apartment buildings, corporate landlords in the City of Boston would be more equitably taxed, and the result would be that residential

rates would be lowered across the city as a greater burden of the fixed Proposition 2.5 property tax revenue would fall on corporate landlords rather than on small landlords or homeowners; *and*

WHEREAS, Further creating a supplemental affordable housing exemption for corporate landlords who offer 80% of units at rents lower than those set for 80% of AMI individuals would incentivize landlords to keep rents lower than the market might otherwise dictate; *and*

WHEREAS, Tax rates classified by apartment building size are already used in cities such as New York, Washington, D.C., Chicago (Cook County), Providence, Minnesota and Colorado while cities such as Austin, Texas, which has a property tax of \$46 per \$1,000 valuation, show that high property taxes don't have an effect on rent nor on housing production; *and*

WHEREAS, Even if property taxes had an effect on rental prices, the majority of tenants in the city would see the taxes their landlords pay decrease under this plan because the majority of apartment units are located in buildings of 30 units or fewer; *and*

WHEREAS, Boston should also petition to give out 7-year tax agreements reflective of the residential rate on any new housing of 100 units or more to ensure this tax plan doesn't hamper housing production across the city; *and*

WHEREAS, Boston already led the way in housing production in the prior decade, even compared to cities such as Austin when accounting for the size of the two cities on a per-square mile basis, with Boston adding 2.4 times more housing per square mile than Austin from 2010 to 2020; *and*

WHEREAS, The City of Boston must explore changes to the tax code, categorizing large apartments as commercial properties, offering corporate landlords a housing exemption, and additionally incentivizing rents to be lower than 80% of the AMI through a supplemental affordable housing exemption; *and*

WHEREAS, This petition will do the following: 1. Reclassify large apartment buildings with 30 or more units as Class Three "commercial residential"; 2. Establish a 10% housing exemption to all Class Three "commercial residential," similar to the residential homeowners exemption, which will be absorbed within Class Three; 3. Create a supplemental 50% affordable housing exemption to all affordable Class Three "commercial residential" similar to the residential homeowners exemption, which will be absorbed within Class Three; 4. Shorten standard tax agreements from 15 years to 7 years; 5. Phase in any property tax increases by allowing for an increased housing exemption in the first two fiscal years, to offset any property tax increases for all newly classified Class Three "commercial residential" buildings; *and*

WHEREAS, This petition will effectively lower the residential tax rate and stabilize the commercial tax rates while remaining tax levy-neutral; **NOW, THEREFORE BE IT**

ORDERED: That a petition to the General Court, accompanied by a bill for a special law relating to the City of Boston to be filed with an attested copy of this Order be, and hereby is, approved under Clause One (1) of Section Eight (8) of Article Two (2), as amended, of the Amendments to the Constitution of the Commonwealth of Massachusetts, to the end that legislation be adopted precisely as follows, provided that the Legislature may reasonably vary the form and substance of the requested legislation within the scope of the general public objective of this petition:

PETITION FOR A SPECIAL LAW RE: AN ACT RELATIVE TO REDEFINING COMMERCIAL AND RESIDENTIAL DEFINITIONS, AND CREATING FURTHER EXEMPTIONS

SECTION 1. Section 2A of chapter 59 of the Massachusetts General Laws is hereby amended by inserting "Except in the City of Boston" at the beginning of line eleven.

SECTION 2.

Notwithstanding General Law Chapter 59, Section 2A, or any General or special law to the contrary, in the City of Boston, the assessors shall determine the fair cash valuation of real property according to section thirty-eight; and if certified by the commissioner pursuant to subsection (c) shall classify such real property according to the following uses:—

"Class one, residential", property used or held for human habitation containing one or more dwelling units including rooming houses with facilities designed and used for living, sleeping, cooking and eating on a non-transient basis, including a bed and breakfast home with no more than three rooms for rent. Such property includes accessory land, buildings or improvements incidental to such habitation and used exclusively by the residents of the property or their guests. Such property shall include: (i) land that is situated in a residential zone and has been subdivided into residential lots; and (ii) land used for the purpose of a manufactured housing community, as defined in section thirty-two F of chapter one hundred and forty. Such property shall not include hotels, motels, or property used or held for the production of income providing 30 or more dwelling units for rent. Such property may be exempt from taxation under other provisions of law.

"Class two, open-space", land which is not otherwise classified and which is not taxable under the provisions of chapters sixty-one, sixty-one A or sixty-one B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public. In the event that the City of Boston has elected to adopt section 2A of chapter 61, section 4A of chapter 61A or section 2A of chapter 61B, class two, open-space shall include land taxable under chapter 61, 61A or 61B.

"Class three, commercial", property used or held for use for business or investment/income purposes and not specifically excluded from or includable in another class, including but not limited to any commercial, business, retail, trade, service, recreational, agricultural, artistic, sporting, fraternal, governmental, educational, medical

or religious enterprise, for non-profit purposes. Property used or held for the production of income and providing 30 or more dwelling units for rent shall be included within this class , and referred to hereafter as "Class Three commercial residential" parcels.

"Class four, industrial", property used or held for use for manufacturing, milling, converting, producing, processing or fabricating materials; the extraction or processing of materials unserviceable in their natural state to create commercial products or materials; the mechanical, chemical or electronic transformation of property into new products and any use that is incidental to or an integral part of such use, whether for profit or non-profit purposes; and property used or held for uses for the storage, transmitting and generating of utilities regulated by the department of public utilities or the department of telecommunications and cable. Such property may be exempt from taxation under other provisions of law.

Where real property is used or held for use for more than one purpose and such uses result in different classifications, the assessors shall allocate to each classification the percentage of the fair cash valuation of the property devoted to each use according to the guidelines promulgated by the commissioner.

Real property which is exempt from taxation under section five shall be classified according to said guidelines.

(c) Classification of real property shall not be implemented in the City of Boston until the commissioner has certified in writing to the assessors of the City of Boston that the assessments on the real property that they propose to make are at full and fair cash valuation as required by section thirty-eight and that a majority of its assessors are qualified to classify its property.

SECTION 3. The City of Boston shall ensure the total property taxes owed by a Class Three commercial residential property increase less than 33%, year over year, for each of the first two fiscal years after this law has gone into effect.

SECTION 4. Section 5C of chapter 59 of the Massachusetts General Laws is hereby amended by inserting "This section shall apply to each city and town within the Commonwealth, except the City of Boston." before the first line.

SECTION 5. Notwithstanding Chapter 59, Section 5C, or any general or special laws to the contrary, With respect to each parcel of real property classified as Class One, residential, in the City of Boston, certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the mayor, with the approval of the city council, as the case may be, there shall be an exemption equal to not more than 35 per cent of the average assessed value of all Class One, residential parcels and Class Three commercial residential parcels, within the City of Boston; provided, however, that such an exemption shall be applied only to the principal residence of a taxpayer as used by the taxpayer for income tax purposes. This exemption shall be in addition to any exemptions allowable under section five; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions be reduced below ten per cent of its full and fair cash valuation, except through the applicability of clause Eighteenth of section five. Where, under the provisions of section five, the exemption is based upon an amount of tax rather than on valuation, the reduction of taxable valuation for purposes of the preceding sentence shall be computed by dividing the said amount of tax by the residential

class tax rate of the City of Boston and multiplying the result by one thousand dollars. For purposes of this paragraph, "parcel" shall mean a unit of real property as defined by the assessors in accordance with the deed for such property and shall include a condominium unit.

With respect to each parcel of real property classified as Class Three commercial residential, in the City of Boston, certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the mayor, with the approval of the city council, there shall be an exemption equal to not more than 10 per cent of the tax bill for parcels that are defined as Class Three commercial residential. For each of the first two fiscal years after this law has gone into effect, the City of Boston shall be empowered to increase said exemption to not more than 50 per cent, at the option of the mayor, with the approval of the city council. This exemption must be applied for before the first day of the fiscal year of which it will be applied. This exemption shall be in addition to any exemptions allowable under section five; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions be reduced below ten per cent of its full and fair cash valuation, except through the applicability of clause Eighteenth of section five. For purposes of this paragraph, "parcel" shall mean a unit of real property as defined by the assessors in accordance with the deed for such property.

With respect to each parcel of real property classified as Class Three commercial residential and that has offered 80% of its units at the same level of rent as 80% AMI rent or lower for the preceding year, as certified by the City of Boston by Sept. 1 of the following fiscal year, certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the mayor, with the approval of the city council, there shall be an exemption equal to not more than 50% of that following year's tax bill. This exemption shall be in addition to any exemptions allowable under section five; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions be reduced below ten per cent of its full and fair cash valuation, except through the applicability of clause Eighteenth of section five. For purposes of this paragraph, "parcel" shall mean a unit of real property as defined by the assessors in accordance with the deed for such property.

In the event in which exemptions are made available hereunder, a taxpayer aggrieved by the failure to receive such exemptions may apply for such exemptions to the assessors, in writing, on a form approved by the commissioner, on or before the deadline for an application for exemption under section 59.

A timely application filed hereunder shall, for the purposes of this chapter, be treated as a timely filed application pursuant to section fifty-nine.

For purposes of this section, with respect to real property owned by a cooperative corporation, as defined in section 4 of chapter 157B, that portion which is occupied by a member pursuant to a proprietary lease as such member's domicile and is used as such member's principal residence for income tax purposes shall be deemed to be real property owned by such member for purposes of this section, provided that the portion of the real estate is represented by the member's share or shares of stock in the cooperative corporation and the percentage of such portion to the whole is the percentage of such member's shares in the cooperative corporation to the total outstanding stock of the corporation, including shares owned by the corporation. Such portion of such real property shall be eligible for exemption from taxation pursuant to this section if such member

meets all requirements for such exemption. Any exemption so provided shall reduce the taxable valuation of the real property owned by the cooperative corporation; provided, however, that the reduction in taxes realized thereby shall be credited by the cooperative corporation against the amount of such taxes otherwise payable by or chargeable to such member. Nothing in this paragraph shall be construed to affect the tax status of any manufactured home or mobile home under this chapter, but shall apply to the land on which such manufactured home or mobile home is located if all other requirements of this paragraph are met. This paragraph shall take effect in the City of Boston upon its acceptance by the City of Boston.

SECTION 6.

Section 10 of chapter 121A of the Massachusetts General Laws is hereby amended by inserting “and in the City of Boston, for a period of 7 years” in the first sentence of the first paragraph after “fifteen years”

Section 10 of chapter 121A of the Massachusetts General Laws is hereby amended by inserting “and in the City of Boston, for a period of 7 years” in the first sentence of the third paragraph after “fifteen years”

Section 10 of chapter 121A of the Massachusetts General Laws is hereby amended by inserting “and in the City of Boston, for a period of 7 years” in the first sentence of the sixth paragraph after “fifteen years”

Section 10 of chapter 121A of the Massachusetts General Laws is hereby amended by inserting “or in the City of Boston, the 7 year period” in the first line of the tenth paragraph after “fifteen year period”

Section 10 of chapter 121A of the Massachusetts General Laws is hereby amended by inserting “or in the City of Boston, for a 7 year period” in the third line of the tenth paragraph after “fifteen year period”

Section 10 of chapter 121A of the Massachusetts General Laws is hereby amended by inserting “or in the City of Boston, for a 7 year period” in the first sentence of the sixteenth paragraph after “fifteen year period”

SECTION 7

The provisions of this act are severable and if any provision, or portion thereof, should be held to be unconstitutional or otherwise invalid by any court of competent jurisdiction, such unconstitutionality or invalidity shall not affect the remaining provisions, which remain in full force and effect.

SECTION 8.

This act shall take effect at the start of the next fiscal year after its passage.

Filed on: January 26, 2026