



BOSTON CITY COUNCIL

Committee on Ways and Means
Kenzie Bok, Chair

REPORT OF COMMITTEE CHAIR

December 1, 2021

Dear Councilors:

The Committee on Ways and Means was referred the following docket for consideration:

Docket #1182, order relative to the adoption of classification in the City of Boston in Fiscal Year 2022.

This matter was sponsored by Councilor Kenzie Bok and was referred to the Committee on November 17, 2021.

Summary of Legislation

Docket #1182 is an order for the City Council to adopt classification and declare a residential exemption in the City of Boston for Fiscal Year (FY) 2022. Pursuant to Chapter 40, Section 56 of the General Laws, the City Council must annually determine the percentages of the tax levy to be borne by each class of property. The City must also determine whether to establish an exemption for owner occupied residential properties. These determinations must be made prior to the certification of the City's tax rate. Docket #1182 will implement the minimum residential factor, as calculated by the Department of Revenue, and establish a residential exemption of 35% of the average assessed residential value for FY22.

Adopting the aforementioned local options will result in the maximum discount and savings available to owner occupied residential property owners in the City of Boston.

Information Received at Hearing

A public hearing was held on this docket on Tuesday, November 30, 2021. Assessing Commissioner Nicholas Ariniello testified at the hearing on behalf of the Administration. The Committee also heard from President of the Boston Municipal Research Bureau Pam Kocher.

Commissioner Ariniello explained that each year the Assessing Department classifies property according to its use, and property is taxed by category. Under State law the City may determine what percentages of the tax levy are borne by each class of property. Commissioner Ariniello stated that the City has consistently adopted the minimum residential factor as determined by the Commissioner of Revenue, which shifts the burden of the tax levy from residential to business properties, creating significant savings for residential property owners. In FY21, residential property accounted for 66.7% of the overall assessed value for the City and represented approximately 41.7% of the overall levy; business property accounted for 28.7% of value and represented 50% of the overall levy. If the minimum residential factor were not adopted, there would essentially be one tax rate applied to all

categories of property, dramatically increasing residential property tax bills. Commissioner Ariniello shared that the average savings for residential single family homeowners was approximately \$2,300 last year.

Commissioner Ariniello explained that the residential exemption is a program for owner-occupants of residential property in the City. The City is allowed by statute to grant a residential exemption of up to 35% (increased from 30% in FY17) of the average assessed value of the property. The City has consistently adopted the maximum exemption, which results in significant discounts for owner-occupants on their property tax bills. Commissioner Ariniello shared that the average savings for residential single family homeowners was approximately \$3,100 last year.

It was noted that Boston is one of only a handful of cities that offers the maximum 35% residential exemption allowed by the State, and, as a result of Classification and exemptions, has significantly lower average residential property tax bills than the majority of neighboring communities. Commissioner Ariniello explained that assessing values are backward looking, and property values continued to appreciate in calendar year 2020. Commissioner Ariniello noted that last year the City was required to perform revaluation, which captured significant property value increases over the last five years. As property tax is based off of a property's valuation, for better or worse, the strength of the market has resulted in increases to property tax bills. Adopting the minimum residential factor and the maximum residential exemption helps offset these increases for resident homeowners.

Committee Chair Recommended Action

As Chair of the Committee on Ways and Means, I recommend moving the listed docket from the Committee to the full Council for discussion and formal action. At that time, my recommendation to the full Council will be that this matter **OUGHT TO PASS**.



Kenzie Bok, Chair
Committee on Ways and Means