



BOSTON CITY COUNCIL

Committee on Ways and Means
Brian Worrell, Vice Chair

REPORT OF COMMITTEE CHAIR

December 5, 2023

Dear Councilors:

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

Docket #1794, Order relative to the adoption of classification in the City of Boston in Fiscal Year 2024.

This matter was sponsored by Councilor Tania Fernandes Anderson and was referred to the Committee on November 29, 2023.

Summary of Legislation

Docket #1794 is an Order for the City Council to adopt classification and declare a residential exemption in the City of Boston for Fiscal Year (FY) 2024. 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 #1386 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 FY24.

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, December 5, 2023. Assessing Commissioner Nicholas Ariniello testified at the hearing on behalf of the Administration.

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 lessens the burden of the tax levy on residential properties, creating significant savings for residential property owners.

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 homeowners save approximately 24% off their tax bills due to this tax shift.

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 qualifying homeowners saved approximately \$3,456 last year due to this exemption.

Commissioner Ariniello explained that assessing values are backward looking, with property assessment being determined the January of the previous year (i.e. for FY24, assessment values were determined in January of 2023). Councilors asked about the tax exemption programs available to residents, seniors, and veterans, and the Commissioner stated the best way for residents to understand what exemptions they qualify for is to reach out to the Taxpayer Referral and Assistance Center. The Commissioner also explained that since this tax classification process is part of the larger tax rate determination process, tax rates for FY24 will be determined in the near future. He further explained that the impact of lower commercial valuation (if it is indeed lower) will not be seen until FY25, due to the aforementioned backward looking assessment process. As property tax is based off of a property's valuation, for better or worse, the appreciation of property 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 Vice 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**.

Brian Worrell

Brian Worrell, Vice Chair
Committee on Ways and Means