



# BOSTON CITY COUNCIL

Committee on Government Operations  
Gabriela Coletta Zapata, Chair

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One City Hall Square 5<sup>th</sup> Floor, Boston, MA 02201 ♦ Phone: (617) 635-3040 ♦ [city.council@boston.gov](mailto:city.council@boston.gov)

## REPORT OF COMMITTEE CHAIR

February 12, 2025

Dear Councilors,

The Committee on Government Operations was referred the following docket for consideration:

***Docket #0236, Message and order for your approval a new home rule petition to the General Court, "Petition for a Special Law Re: An Act Relative to Residential Tax Relief in the City of Boston."***

This matter was sponsored by Mayor Michelle Wu and referred to the Committee on January 15, 2025.

### ***Summary of Legislation***

***Docket #0236*** is a Home Rule Petition that seeks permission from the State to, retroactively set tax rates for FY25; if and when necessary over the next 2 years, allow for an increase in the tax burden shifted from residential to commercial properties; increase relief for seniors and small businesses; and in the event the City is not approved to retroactively set tax rates for FY25, issue rebates to eligible resident homeowners.

***Section 1*** of the proposal seeks permission from the State to divert from the General Laws (M.G.L. c. 59 § 23) to set the tax rates for FY25 to the rates that would have occurred had a 181.5% shift been in place at the time of their setting, allowing for a change in the FY25 residential tax rates from \$11.58 to \$11.03 (per \$1,000 in assessed value) and commercial tax rates from \$25.96 to \$26.92 (per \$1,000 in assessed value). The current rates were set at a 175% shift, the shift currently allowable under law (M.G.L. c. 58 § 1A).

***Section 2*** requests the permission to, if and when necessary over the next 2 years, divert from the General Laws (M.G.L. c. 58 § 1A) when setting the minimum residential factor for the City of Boston, allowing for an increase in the tax burden shifted from residential to commercial properties. The proposal states that the temporary diversion would only be necessary if the standard and current minimum residential factor would result in residential class properties bearing a higher percentage of the total property tax levy than the year prior. The temporary diversion would follow a two-year schedule starting in FY26 and allow for an increase up to 180% in the first year, and up to 178% in the second and final year, after which the City will return to the currently utilized classification system provided for in the General Laws, which caps the commercial burden at 175%.

***Section 3*** seeks to authorize the City of Boston to expend up to \$15M to make grants and provide programs for any small business impacted by the shift in any year the shift is greater than 175%. Small business here shall mean a business with its principal place of business located in Boston, with fewer than fifty employees or less than \$5M in revenue.

***Section 4*** seeks to amend Clause 41C of Section 5 of Chapter 59 of the General Laws to increase the amount of the senior exemption and increase the income and asset limits for the senior exemption.



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**Section 5** seeks to divert from the General Laws (M.G.L. c. 59 § 5) to increase the minimum value of personal property subject to taxation from \$10,000 to \$30,000 and states that the City Council, with the approval of the mayor, shall vote to establish a minimum value of personal property subject to taxation.

**Section 6** requests that in the event the tax rates for FY25 are not changed by March 1, 2025, pursuant to **Section 1**, from the rates set in December of 2024 (\$11.58 for residential, \$25.96 for commercial), the City of Boston be authorized to issue rebates to those taxpayers who received the residential exemption in FY25. The rebates shall be a uniform amount of money for each eligible taxpayer to be paid out of a pool of money appropriated by the City of Boston for this express purpose. The amount of the rebate shall be calculated by the Collector-Treasurer of the City of Boston with the approval of the mayor. This rebate shall be in addition to any exemptions allowed under chapter 59, provided in no instance shall the taxable valuation of any property after all applicable exemptions (including the rebate) be reduced below 10% of its full and fair cash valuation, unless explicitly provided for in any specific section of chapter 59.

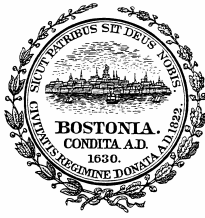
## ***Information Received at Hearing***

The Committee on Government Operations held a joint hearing with the Committee on Ways and Means on **Docket #0236** on January 27, 2025. Ashley Groffenberger, Chief Financial Officer, Nicholas Ariniello, Commissioner of Assessing, Raymond Boly, Director of Valuation, Assessing Department, and Segun Idowu, Chief of Economic Opportunity and Inclusion, testified on behalf of the administration.

The Administration explained that the newly proposed HRP aims to provide tax relief by adjusting property classification regulations. It was explained that the proposal would allow Boston to exceed the state-imposed limit on the commercial-to-residential tax rate ratio. The Administration emphasized that this shift is intended to provide immediate relief to residents while ensuring that commercial properties contribute a fairer share of the tax burden. The Administration acknowledged concerns that increasing commercial tax rates could impact small businesses but noted that safeguards, such as targeted exemptions, are included in the proposal.

The Administration also explained that the tax classification proposal is part of a comprehensive approach to address economic disparities in the City. The Administration highlighted that rising residential property assessments have disproportionately impacted certain neighborhoods, particularly in communities of color and among elderly homeowners. The Administration asserted that the proposed petition provides a mechanism to offset these rising costs while continuing to support the City's investment in public services, schools, and infrastructure. The Administration further stated that the proposed classification changes align with Boston's broader tax strategy, which prioritizes maintaining affordability for residents while ensuring a sustainable revenue structure. The Administration noted that other cities have implemented similar measures and observed that shifting a portion of the tax burden to commercial properties has historically provided relief to owner-occupants without negatively affecting business investment.

The Administration explained that Docket #0236 represents a revised approach to residential tax relief that differs significantly from the Mayor's previously filed home rule petitions, which did not pass at the State House. The Administration explained that earlier proposals primarily sought to increase the residential exemption and provide direct tax abatements. It was stated, however, that said efforts faced challenges due to concerns over revenue stability and their impact on the broader tax structure. Further,



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the Administration explained that earlier petitions lacked mechanisms to mitigate potential negative consequences for small businesses and that, in contrast, the newly proposed petition includes provisions to safeguard small commercial property owners by structuring the tax shift in a way that primarily impacts larger commercial properties. The Administration reiterated that the new approach was developed in response to feedback from legislators and stakeholders who expressed reservations about the broader impact of prior proposals.

The Administration also highlighted that the revised petition includes a sunset clause, meaning the tax classification change would be subject to periodic review, an element not included in earlier versions. It was explained that the provision was included to address concerns from state legislators regarding permanent tax shifts and to allow for adjustments based on economic conditions. The Administration stressed that the new petition aligns more closely with statewide tax policies, making it more likely to gain approval at the State House.

Councilors questioned the Administration about the long-term effects of shifting more tax burden onto commercial properties. The Administration responded that while the proposal temporarily increases the commercial tax rate, it does not fundamentally alter the City's long-term revenue structure, acknowledging that Boston remains heavily reliant on property taxes due to limited alternative revenue sources. Councilors also inquired into whether the increase in commercial property taxes could deter businesses from remaining in Boston. The Administration explained that commercial tax rates in Boston are competitive compared to other major cities, and the adjustment is designed to maintain that balance. Further, the Administration added that the City would monitor economic impacts to ensure that small businesses are not disproportionately affected.

During the hearing, Councilors proposed several amendments to provide additional tax relief for senior homeowners, small businesses, and low-income residents. Councilors suggested expanding the eligibility criteria for the senior tax exemption program, proposing that income thresholds be adjusted upward to reflect the rising cost of living, healthcare expenses, and inflation. Councilors recommended raising the income cap to between 60-80% of the Area Median Income (AMI) to ensure more seniors qualify for relief or to implement a "Long-Term Senior Homeowner Exemption," which would provide increased tax relief to seniors who have owned their homes for at least 20 years. In response to such suggestions, the Administration stated that separate proposals, including expanded exemptions for seniors and long-term homeowners, are under review and reiterated that Docket #0236 is part of a broader strategy to address rising property taxes while maintaining equitable revenue distribution.

Regarding small businesses, suggestions were made to increase the personal property tax exemption referred to in Section 5, to \$100K. The current exemption is set by state law at \$10,000 in Boston. The Administration informed the Committee that setting the number at \$30,000 will support over 5,500 small businesses across Boston, further that raising the exemption to \$100,000 would be a large increase relative to the programs offered by other cities. Cambridge is the highest in the state allowing up to \$20,000 therefore \$30,000 would be the highest cap in the state. Overall, this would reduce the tax liability of larger businesses, increasing costs on our residents through increased tax rates.



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Regarding rebates, Councilors further recommended streamlining the rebate application process by automating eligibility checks based on tax records, thereby reducing administrative barriers and ensuring that all eligible homeowners receive relief without unnecessary bureaucratic hurdles.

A proposal was also made to establish a property tax exemption for low-income municipal workers to provide relief to frontline essential city employees who face financial hardship. However, the amendment could not be included in the Chairs' recommended amended docket due to constitutional and legal constraints under Massachusetts tax law. The primary legal issue concerns Article 112 of the Massachusetts Constitution, which governs property taxation and mandates proportionality in taxation. This proportionality requirement dictates that all property within the same classification must be taxed uniformly, with limited exceptions allowed under state law.

In general, Councilors recommended that the City simplify the application process, provide multilingual resources, and conduct targeted outreach efforts to ensure that all eligible seniors are aware of and can easily access available exemptions and relief programs. Finally, Councilors advocated for increasing transparency in the assessment process to ensure residents understand how property values are determined and how relief measures are applied.

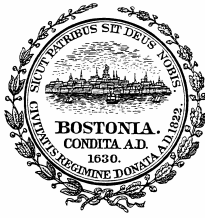
## ***Summary of Amendments***

The proposed Home Rule Petition was amended to include the following into a new draft:

*“Section 6: Language was added to ensure a fiscally responsible approach to tax relief by specifying that the amount of the rebate shall be calculated, reviewed and approved by the City Council with the submission of an appropriation order; and by ensuring that rebates will not be issued should the appropriation cause the fiscal year’s Generally Accepted Accounting Principles (GAAP) Unassigned Fund Balance to go below 15% of the fiscal year’s GAAP General Fund Operating Expenditures, and/or cause the City’s Statutory/Budgetary Unassigned Fund Balance go below 10% of the City’s Statutory/Budgetary Operating Expenses. (Boston’s GAAP Unassigned Fund Balance is the portion of the city’s general fund that is not classified as restricted, committed, assigned, or nonspendable. It is a residual classification that can be positive or negative. The city uses its fund balance to help manage current and future risks.)”*

## **SECTION 6** as amended:

Only in the event that the tax rates for the City of Boston for fiscal year 2025 are not changed by March 1, 2025, pursuant to Section 1 of this act, from the tax rates certified in December of 2024, and due to the fact that the residential tax levy in fiscal year 2025 increased from 41.67% of the overall tax levy to 44.07% of the overall tax levy, the largest percentage increase since 2007, the last year the City was authorized by statute to have a classification shift exceeding 175%, the City of Boston shall be authorized to issue rebates to those taxpayers who received the residential exemption in fiscal year 2025. In no event shall these rebates be issued in fiscal year 2025 unless the following conditions are met: the appropriation for said rebates would not cause the fiscal year’s Generally Accepted Accounting Principles (GAAP) Unassigned Fund Balance to go below 15% of the fiscal year’s GAAP General Fund Operating Expenditures, while maintaining a Statutory/Budgetary Unassigned Fund Balance at 10% or higher of Statutory/Budgetary



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Operating Expenses. These rebates shall be a uniform amount of money for each eligible taxpayer to be paid out of a pool of money appropriated by the City of Boston for this express purpose. The amount of the rebate shall be calculated, reviewed and approved by the City Council with the submission of an appropriation order, by the Collector-Treasurer of the City of Boston with the approval of the mayor of the City of Boston. This rebate shall be in addition to any exemptions allowed under chapter 59; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions and this rebate be reduced below ten per cent of its full and fair cash valuation, unless that is explicitly provided for in any specific section of chapter 59. In order to go into effect, this section must be enacted by the General Court prior to July 1, 2025.

## ***Committee Chair Recommended Action***

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

Gabriela Coletta Zapata, Chair  
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