



City of Boston, Massachusetts
Office of the Mayor
MICHELLE WU

October 28, 2024

TO THE CITY COUNCIL

Dear Councilors:

This is the response to the 17F: Order requesting certain information under section 17F: re: Information on Residential Tax Relief Proposal.(Docket #1514). Attached Please find the slide deck that was presented at the meeting on October 10, 2024.

Sincerely,

Michelle Wu
Mayor of Boston



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Residential Tax Relief

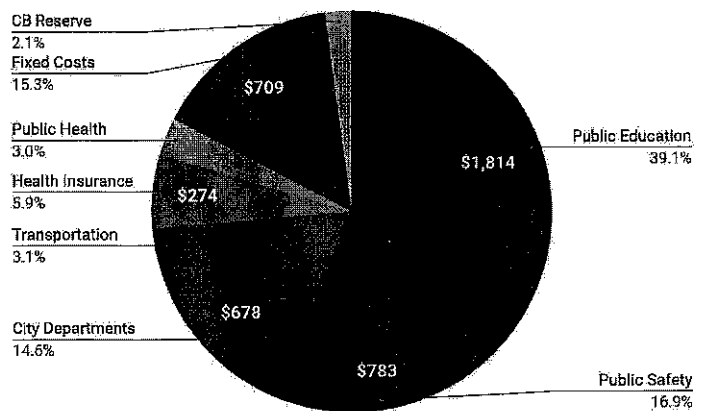
October 2024

City Budget Overview: Expenditures

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- Public Education and Public Safety represent the largest share of budgeted expenditures, 56% of all spending
- Health insurance and fixed costs like pension and debt service also drive spending, representing 21% of expenditures
- Across many categories, employee costs drive expenditures

FY25 OPERATING BUDGET - \$4.64B TOTAL

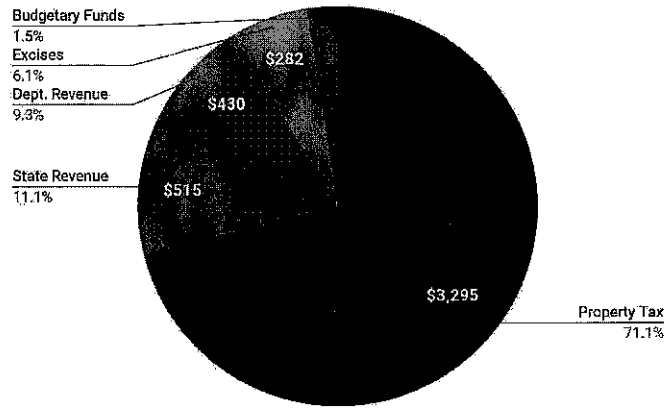


City Budget Overview: Revenue



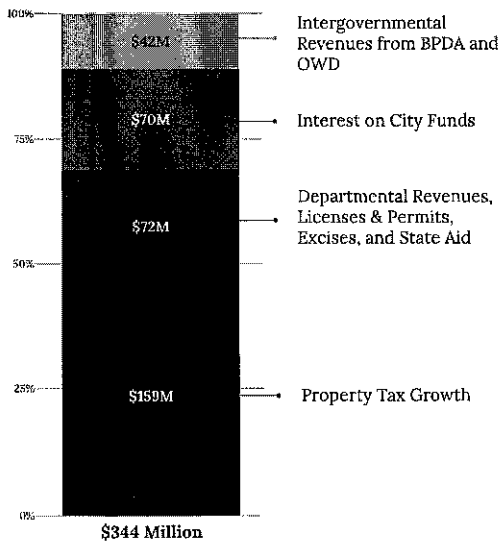
- Like many municipalities in Massachusetts, property tax represents the largest share of total revenue, 71% in FY25
- State revenue is the second largest source, representing 11% in FY25. In FY04, state revenue represented approximately one-quarter of the City's revenue
- Excise, interest on investments, and other sources make up the remainder

FY25 REVENUE - \$4.64B TOTAL

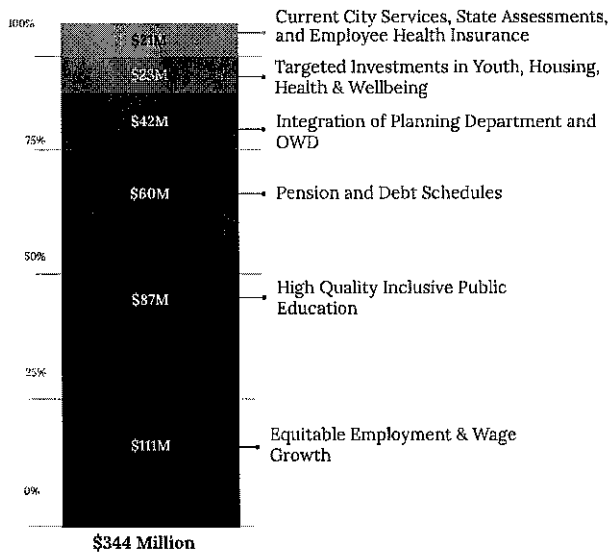


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FY25 REVENUE GROWTH



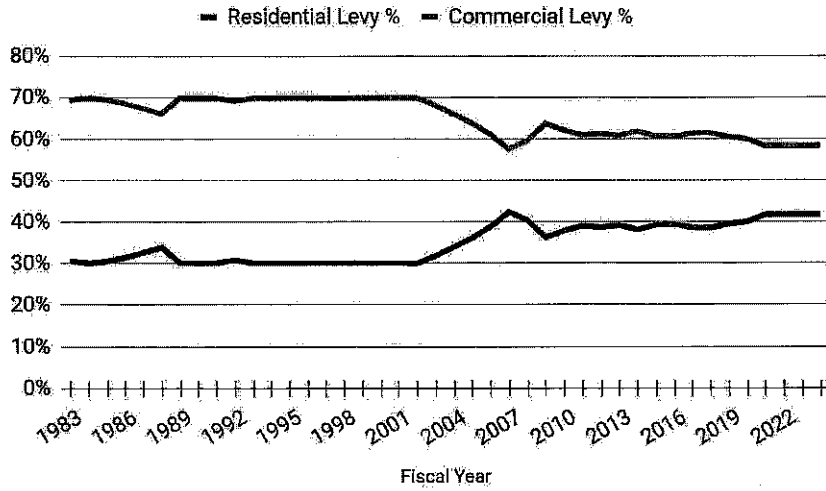
FY25 EXPENDITURE GROWTH



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Historical Context: Property Tax Levy Allocation Over Time

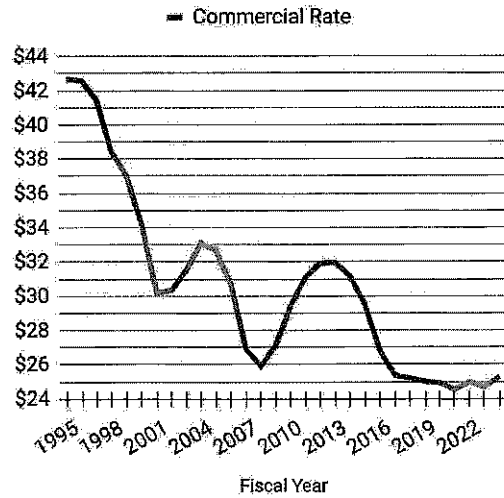
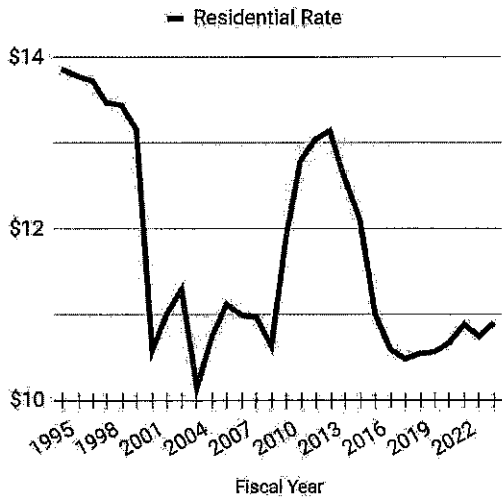
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Historical Context: Property Tax Rates Over Time

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Examples: Early FY25 Model Value Assumptions

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All Examples Use Early Model FY25 Value Assumptions (Overall Residential +4%, Commercial -7%)

Examples Are Not Predictive of Final FY25 Values or Bills

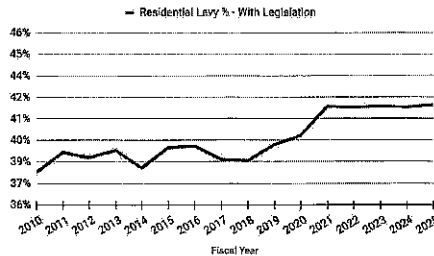
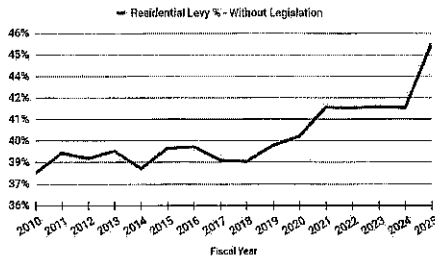
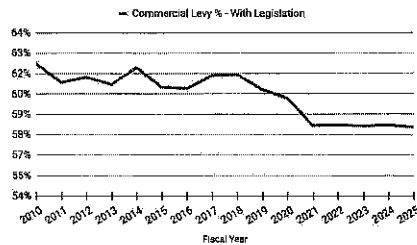
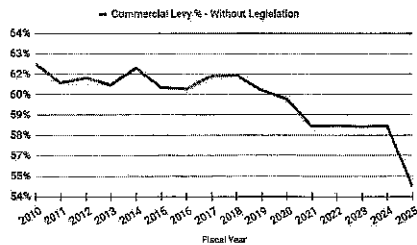
Average Single Family Home Receiving Residential Exemption						
Applying 5% Increase	Taxes	\$ Change	% Change	Q2 Bill	Q3 Bill	% Change
FY24 - \$838K Value	\$5,522					
FY25 Without Legislation	\$6,290	\$768	13.9%	\$1,380.43	\$1,764.54	27.8%
FY25 With Legislation	\$5,795	-\$273	-4.9%	\$1,380.43	\$1,516.88	9.9%

\$5M Commercial Property			
Applying 9% Decrease	Taxes	\$ Change	% Change
FY24 - \$5,000,000 Value	\$126,350		
FY25 Without Legislation	\$117,936	-\$8,414	-6.7%
FY25 With Legislation	\$125,671	-\$679	-0.5%

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Property Tax Levy Without Vs. With Legislation

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Why the “alternatives” don’t work



- Cutting the City budget or utilizing reserves are not viable or fiscally responsible alternatives
- The City would need to cut approximately \$265 Million, for the same level of impact, resulting in significant reductions to core city services
- Backfilling that lost revenue with reserves would create a fiscal cliff in the following year, forcing further cuts or further draws on reserves, quickly exhausting available reserve balances
- Emptying reserves during a period of growth is not fiscally responsible and would leave the City vulnerable during an actual crisis
- Rebates direct to homeowners would violate state laws and there are serious questions as to whether they additionally violate the state constitution

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Responding to Feedback



Compromise Passed

- ✓ 5 to 3 years
- ✓ 200% max to 190%
- ✓ \$45M set aside to protect small business
- ✓ Tripling the personal property tax exemption

Other “Alternatives”

- ✗ Cut the budget (\$265M) creating a fiscal cliff
- ✗ Emptying reserves during strong economy
- ✗ Rebates to special groups, against the law

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Key Dates

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