



FACT SHEET: THE CITY OF BOSTON'S RESIDENTIAL TAX RELIEF PROPOSAL

May 30, 2024

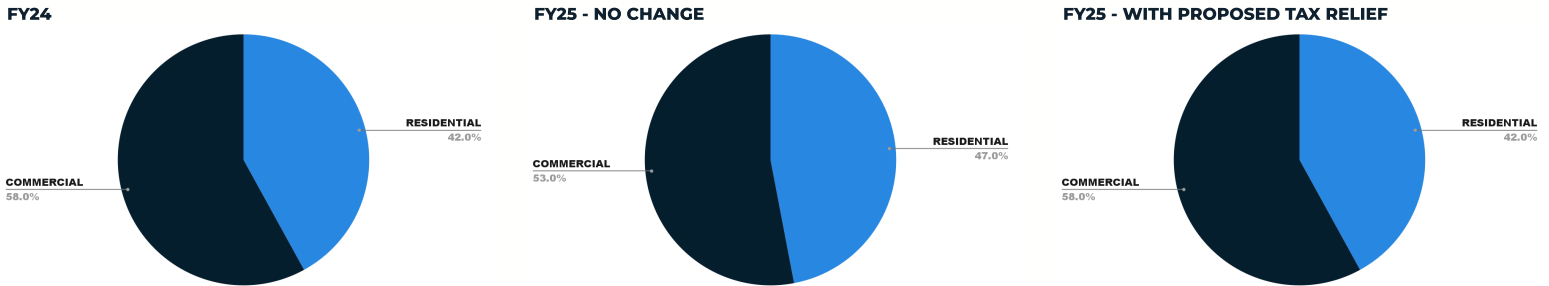
BACKGROUND

Boston's City services are largely funded through property taxes, and state law sets strict parameters that apply to commercial and residential property tax rates. Municipal governments like Boston's do not have the ability to change these parameters without a change to these laws.

Because of how Massachusetts property taxes work, when property valuations — and, therefore, property taxes — go down in one sector, taxes on the other sector automatically increase to account for the difference. The system is like a balloon: if one part squeezes smaller, the other expands. That means that if commercial valuations decline, the tax burden could shift dramatically onto residential taxpayers.

Boston's housing crisis means that residents are already struggling to afford to stay in our neighborhoods, and we cannot increase the burden on homeowners and renters due to a shift caused by short-term challenges in certain parts of the commercial sector.

The Mayor's Office is proactively preparing for the possibility of a decline in commercial values by proposing to temporarily modify the tax system so that all taxpayers see as little change in their tax bills as possible.



PROPOSAL INFORMATION

How would this proposal impact residents and small businesses?

The goal of the proposal is for all property taxpayers — commercial and residential — to have future tax bills look as much as possible like recent tax bills.

Without this proposal, a decline in commercial values could lead to dramatic tax increases for all residential properties. This would lead to higher housing costs for residents through higher tax bills for homeowners or a rent increase for renters if their landlords pass the increased tax costs onto them.

The proposal would allow the City to provide residential property tax relief from potential increases caused by declining commercial values.

The proposal is modeled after a 2004 piece of legislation. In that year, declining commercial values and rising residential values threatened to shift over \$100M of property taxes from businesses to residents in one year, decreasing commercial taxes by as much

as 20% and increasing the tax bill for an owner occupied single family home by over 40%. The City at that time implemented a similar proposal. As a result, average residential taxes still went up, but the increase was 15-18%, and commercial taxes changed minimally, preserving stability and preventing bill shock.

Revenue-neutral

This proposal does not increase or decrease the total amount of property tax we are able to collect.

Time-limited

The tool steps down over four years before returning to current legal limits.

Optional and flexible

The proposal includes a three-year opt-in window which gives us the flexibility to deal with the problem if and when it arises. It then gives space for the Administration and the City Council to collectively decide how much rates should change as part of the annual tax process at the end of the calendar year.