Testimony of the Boston Municipal Research Bureau

Before the
City Council Committee of the Whole
December 4, 2001

Regarding: Classification of Property In Boston Docket #1318

- Classification allows cities and towns to determine the share, within limits, of the annual levy to be borne by each class of property. The classification law provides that the share residential property owners pay may be reduced to 50% of their share of the total taxable valuation and the share to be borne by commercial/industrial/personal property (CIP) cannot exceed 175% of their share of the total taxable valuation.

- Boston's policy has been to shift as much of the tax burden to business property as allowed.

- The City Council's adoption of the lowest residential factor as a pre-condition to the setting of the tax rate should not be automatically approved. The Council should consider whether the classification system adopted will encourage business and job growth and a stable, diversified economy while not placing a disproportionate burden on any one class of property.

- In fiscal 2001, business property represented 42.1% of the total taxable value but paid 69.9% of the property tax levy. Conversely, residential property represented 57.9% of the tax base and paid 30.1% of the tax bill.

- The City's adoption of the full residential exemption that allowed tax exemptions equal to up to 20.0% of the average assessed value of all residential property in the city for property that was used as the taxpayer's principal residence further benefited homeowners. For fiscal 2002, Boston is authorized to increase the residential exemption to 30%.

- The total amount of the residential tax exemption in fiscal 2001 was $33.1 million or $524.52 for each eligible homeowner.

- The Mayor and City Council should evaluate the impact of gradually adjusting classification rates to relieve some of the property tax burden off of CIP property.