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Classification & Residential Exemptions Benefit Homeowners

Boston home owners, on average, save 50% on their property tax bills

Boston homeowners are the beneficiaries of the City's application of property tax classification and the residential exemption which have reduced the average single-family tax bill to less than 50% of what it would have been without these tax savings. In FY13, the initial average single-family home tax bill would have been \$7,234. However, classification reduced the bill by \$2,029 and the 30% residential exemption reduced it further by \$1,724, resulting in a final tax bill of \$3,481, a reduction of 51.9%.

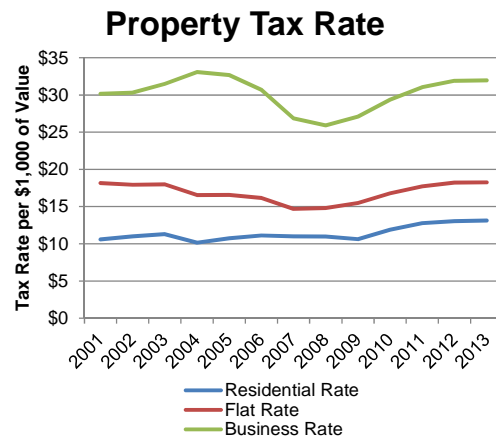
Property Classification

The Massachusetts property tax classification law allows the City to shift the property tax burden to business property up to 175% of what its share would be without classification as long as the residential share of the levy is not less than 50% of its full value share. In FY13, business property (CIP) represents 34.8% of the City's taxable value and pays 60.8% of the tax levy. Residential property represents 65.2% of the taxable value and pays 39.2% of the levy.

The savings from classification are made possible by the shifting of the tax burden to the business class. If taxes were determined at 100% value using a single tax rate, business taxes in FY13 would decrease by \$439.1M or 42.9% and be shifted to residential property.

Residential Exemption

Each Boston residential unit that is the domicile of the owner is eligible for a residential exemption equal to 30% of the average value of a single-family home. In FY13, the residential tax exemption is set at \$1,724, which is the



equivalent of reducing the property value of the home by \$131,238. The total tax reduction of \$130.9M was offset by an increase in the residential tax rate that shifted the tax differential to higher valued homes, apartment buildings and non-domiciled housing properties.

Boston Comparison

Due to classification and the residential exemption, Boston home owners continue to enjoy a low property tax bill compared to other cities in the surrounding area. In a [survey](#) of 19 contiguous communities, Boston's average single-family tax bill ranked the 3rd lowest.

Conclusion

The average value of a single-family home in FY13 is \$396,115 which means that the tax bill represents 0.88% of the average home value. This tax policy provides an incentive to retain the middle class in Boston. While classification does not seem to serve as a hindrance to development in the city, its impact should continue to be monitored.