

November 2006

## Preliminary FY07 Tax Bill Increases

### *Valuations reflect 2005 market activity*

Because FY07 is a full revaluation year, the City of Boston has sent preliminary valuation and tax bill information to property owners in order to give them an opportunity to respond before final values are set. The preliminary values represent an increase of approximately \$12B or 16%, bringing the total taxable assessed value to \$86.7B. That would represent a doubling of the City's taxable value in seven years. Residential and business value increases trended fairly close together at 17% and 14% respectively. Final values still require approval of the state Department of Revenue. By group, preliminary single-family residential values increased by 14%, condominiums by 15% and commercial property by 15%. The values are set as of January 1, 2006, which means they reflect the market activity of 2005.

The preliminary tax rate for residential property is set at \$10.90 per thousand dollars of value, a decrease of 2% over the prior year. The business tax rate of \$26.98 reflects a decrease of 12%.

The estimated average tax bill for a single-family house increased by 11% over the prior year to approximately \$3,000. Homeowners may have expected that the current weakness in the residential market would cause their values to stabilize or even decline this year.

However, the residential sales were still strong in 2005 which is reflected in the 14% value growth. Any weakness in the residential market in 2006 will be reflected in the FY08 valuations and tax bills.

Also contributing to the residential tax bill increase is the fact that for FY07, the ceiling to which the tax burden could be shifted to business property decreased by 7% as required by the 2004 classification law. The business ceiling will decrease further in the next two fiscal years. Business property continues to pay a larger share of the property tax levy, but its share has decreased from 70% of the total in FY02 to a preliminary estimate of 58% in FY07.

Helping mitigate the rise in the residential tax bill was an increase of the residential exemption to \$1,500 for owner-occupied property. That represents a 12% increase over last year's exemption of \$1,345.

The official tax bills that will be mailed in late December may differ from the preliminary estimates once the final valuations are set. The Research Bureau will release a report early next year explaining the valuation and tax rate results.