SPECIAL REPORT

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BOSTON MUNICIPAL RESEARCH BUREAU

Unpacking Boston's Residential Property Tax Exemption

Exemption Provides Relief While Redistributing Tax Liability Across Properties

Boston's residential exemption is one of the City's largest and longest-standing property tax relief programs. Because the residential exemption does not change the residential property tax levy, it shifts tax burden to the remaining residential property taxable base. How much assessed value has been exempted from taxation in recent years? How much tax liability was shifted because of the exemption? How many properties received the residential exemption in FY26? Who pays more and who pays less as a result of the residential exemption?

Report Objectives

This report provides information and insights on:

- The legal framework, eligibility, and structure of Boston's residential exemption
- How many properties receive the exemption and how much taxable value is exempted
- How the exemption redistributes property tax liability across the non-exempted residential property taxable base
- Property tax savings across qualifying residential properties by assessed taxable value

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Introduction

Property taxes dominate the discussion of Boston's revenue picture, comprising 73.1% of Boston's operating revenue in FY27. Residential property owners have paid a larger share of the total property tax revenues as residential values have climbed and commercial values have declined in the last several years. The residential exemption is one of the largest and oldest property tax relief programs. The residential exemption excludes a portion of qualifying property owners' taxable property value from taxation each year. In FY26, 49.5% (78,061) of residential properties received the residential exemption, and the maximum exemption was $351,108 of assessed property value. This report examines Boston's residential exemption, unpacking how the exemption redistributes the residential property tax burden and which properties see reductions in tax bills on average.

Executive Summary

Using FY26 property assessment data, the Research Bureau modeled the tax savings across residential properties by their assessed values and receipt of the exemption. Because the residential exemption does not change the residential property tax levy, it shifts tax burden to the remaining residential property taxable base. While there is a net transfer between eligible and ineligible properties, the amount that the exemption reduces individual tax bills depends on the property's eligibility for the exemption and its assessed taxable value. Among properties that received the exemption, properties with assessed taxable values of $500,000 or less had the largest reductions in tax bills.

Legislative History and Boston's Implementation

State Authorization and Boston's Adoption of the Residential Exemption – Established by the Commonwealth in 1979, the residential exemption intends to protect qualifying owner-occupants from property-tax burdens associated with the distribution of the property tax levy. Boston adopted the residential exemption in FY1983, making it one of Boston's longest-standing tax relief programs. M.G.L. c.59, §5C allows municipalities to exempt a percentage of average residential assessed value from qualifying owner-occupied properties. The law stipulates a maximum exemption percentage and a taxable value floor for the exemption. The residential exemption cannot reduce taxable value below 10% of assessed value, except for specified statutory exceptions. Boston annually selects the exemption percentage within state law. Every year since adoption, Boston's Mayor and City Council have selected the maximum share to be exempted. The City increased the percentage to 30% in FY01, and to the current state maximum of 35% in FY17, corresponding with increases in the maximum allowed by state law. Because of the taxable floor, the actual exempted amount can differ from the maximum amount calculated under law.

Eligibility Requirements – Within Class One residential properties[1], only those that are owner-

Local Authority and Home Rule Petitions

Boston cannot create property tax exemptions on its own or provide exemptions in excess of state-determined ranges. Boston can submit a home-rule petition to establish a new exemption not currently authorized by the state or to exceed a state-authorized maximum for an exemption. A home rule petition must first be passed by the City Council and approved by the Mayor. Then, the Massachusetts House of Representatives and the Senate must approve the home rule petition, and the Governor must sign it. In the last decade, Boston has filed several home rule petitions to expand the residential exemption.

[1] Class One includes all properties where one or more units used for human habitation. It includes accessory land and buildings such as garages and sheds. Single-family homes are in this class, as are large apartment buildings. It excludes motels and hotels.

occupied are eligible for the residential exemption. Residential property owners must meet applicable ownership and occupancy requirements to access the residential exemption. Owners not already receiving the exemption must apply by the deadline in order for the residential exemption to be applied to their properties. After the exemption is granted, owners do not need to reapply each year for the residential exemption. Ineligible residential properties include accessory land incidental to residential use or residential property not occupied by the owner, such as renter-occupied apartments.

Maximum Standard Exemption and Taxable Value Floor – The maximum standard exemption is calculated annually based on Boston's elected exemption percentage and the average assessed value of Class One properties. For FY26, the calculation was: .35*(Total Class One Residential Value/Total Class One Residential Parcels). In FY26, qualifying properties could get up to $351,108 of assessed value exempted from taxation. Because of the taxable-value floor, lower-valued homes may receive less than the maximum exemption. All qualifying properties not limited by the taxable-value floor receive the maximum exemption for that fiscal year.

Determining Boston's Residential Property Tax Levy

Boston determines the amount to raise through property taxation as part of balancing its budget. Historically, Boston has maximized the amount it will raise from property taxes, known as the property tax levy, within legal limits. After determining the total property-tax levy for a fiscal year, the City shifts more of the property tax burden to the commercial class, which reduces the residential share of the property-tax levy, each December. Please see Appendix A for more on this process.

Residential Exemption Shifts Tax Liability to a Smaller Taxable Base

Before the exemption is applied, the City establishes the residential levy. The residential levy is the amount of property tax revenue that all residential property owners collectively must provide to the City. The residential exemption does not change the residential levy.

The residential exemption excludes a portion of assessed residential value from taxation, which narrows the residential taxable base. From FY21 through FY26, between 17.0% and 18.0% of Boston's residential assessed value was excluded from the residential taxable base through the residential exemption. Because the exemption leaves the residential levy unchanged, the tax liability attributable to the exemption increases the liability on the remaining residential taxable base. After applying the exemption, the City sets the residential property tax rate to collect the residential levy from the remaining residential taxable base. The remaining residential taxable base includes all residential properties, which are all subject to the adopted tax rate.

Assessed Value Exempted, Remaining Taxable Base, and Adopted Tax Rate, FY21 to FY26

Fiscal Year	Residential Assessed Value	Exempted Share	Remaining Residential Taxable Base	Residential Levy	Adopted Residential Tax Rate per $1,000
2021	$127.14B	17.8%	$104.55B	$1.12B	$10.67
2022	$131.90B	18.0%	$108.13B	$1.18B	$10.88
2023	$141.54B	17.8%	$116.28B	$1.25B	$10.74
2024	$147.24B	17.2%	$121.89B	$1.33B	$10.90
2025	$154.03B	17.0%	$127.80B	$1.48B	$11.58
2026	$158.20B	17.3%	$130.90B	$1.62B	$12.40

FY26 Example: Residential Exemption Effects on Tax Base and Tax Rate – In FY26, $27.30B (17.3%) of Boston's residential assessed-value base was exempted from taxation via the residential exemption. The remaining taxable base ($130.90B) had to support the same $1.62B residential levy. In FY26, the City set the residential tax rate to $12.40, and the exemption shifted $280.1M of tax liability onto the remaining taxable base.

Effect of the Residential Exemption on Boston's Residential Tax Base and Tax Rate, FY26

Measure	Without exemption	With exemption
Residential Levy	$1.62B	$1.62B
Residential Assessed Value Subject to Tax	$158.20B	$130.90B
Share of Residential Assessed Value Subject to Tax	100.00%	82.75%
Residential Tax Rate per $1,000	$10.26	$12.40
Increase in Residential Tax Rate	—	20.85%
Liability Attributable to the Exemption Shifted onto Remaining Residential Taxable Base	—	$280.1M

Effect of Tax Burden Shift Differs by Properties' Exemption Status – The remaining taxable base after the City applies the residential exemption includes taxable assessed value from all residential property, regardless of whether they were eligible for the exemption. However, because of the owner-occupied eligibility requirement, the shift in tax liability affects properties differently depending on whether a property receives the exemption.

In FY26 the distribution of the $280.1M of tax liability that shifted onto the remaining taxable base between recipients of the exemption and nonrecipients looked like:

- Property that did not receive the exemption paid $187.6M (67.0% of $280.1M) more in additional liability attributable to the exemption. All these owners saw no change in their taxable assessed value and paid a higher tax rate on their entire taxable value.
- Property that received the exemption paid $92.5M (33.0% of $280.1M) in additional liability attributable to the exemption. These owners saw a reduction in their total taxable assessed value but paid the adopted tax rate on their remaining taxable value.

Tax Liability Shifted onto Remaining Taxable Value, by Exemption Status FY21-FY26

Fiscal year	Properties receiving the exemption	Properties without the exemption	Total amount shifted* onto remaining tax base
2021	$66.3M	$131.9M	$198.2M
2022	$72.6M	$139.4M	$212.0M
2023	$74.9M	$148.0M	$222.9M
2024	$76.1M	$152.7M	$228.8M
2025	$82.7M	$169.4M	$252.0M
2026	$92.5M	$187.6M	$280.1M

**Amount of liability shifted = (assessed value exempted x residential tax rate without exemption)/1,000. Amounts shifted are not equal to net changes in tax bills*

- Properties that received the exemption in FY26 collectively paid $187.6M less than they would have without the exemption. Recipient tax savings equal the amount of tax liability shifted to properties that did not receive the exemption.

Residential Exemption's Impact on Tax Bills in FY26

Using property assessment data, the Research Bureau calculated the fiscal impact of the exemption on residential property tax bills (see Appendix C). The shifted liability from the exemption affects every taxable residential property, but the residential exemption's impact on individual tax bills depends on two factors: the property's assessed value and its eligibility for the exemption.

Residential Exemption's Impact on Tax Bills Varies by Assessed Value – The residential exemption does not remove properties receiving the exemption from the tax base. It exempts a portion of each qualifying property's assessed value, leaving the remainder subject to the adopted residential tax rate. On average, properties valued above $1.5M saw an increase in tax bills due to the residential exemption in FY26. 47.8% of residential property tax bills were lowered because of the exemption. The table below shows all residential properties by assessed value and the exemption's effect on tax bills on average by different bands of property values.

The Residential Exemption Lowers Tax Bills for Just Under Half of Residential Properties

Assessed Property Value (Without Exemption)	Number of Properties	Share with Lower Tax Bill	Avg. Change in Tax Bill ($)	Avg. Change in Tax Bill (%)
$500,000 or less	40,874	30.2%	-$640	−9.3%
Over $500,000 to $1.5M	97,250	59.4%	-$800	−12.2%
Over $1.5M to $2M	6,689	47.8%	$1,585	8.90%
Over $2M	8,953	1.3%	$7,497	14.80%
All values	153,766	47.8%	-$171	−8.9%

Residential Exemption's Impact on Tax Bills by Exemption Status – Because of the residential exemption eligibility requirement, exemption receipt is not exclusively tied to the value of assessed property. At all levels of assessed property value, the residential exemption affects property tax bills differently depending on whether they receive the exemption.

In FY26, the difference between properties[2] that received the exemption and those that did not looked like:

- 49.9% of properties did not receive the exemption and paid more on their tax bills because of the shift in tax liability. Impact on individual bills varied depending on the properties' taxable value.
- Of the 76,979 residential properties that received the exemption, 95.4% saw a reduction in their tax bills, while 4.6% paid more on their tax bills. Impact on individual bills varied depending on the properties' taxable value.

[2] The Research Bureau excluded 974 residential-only parcels whose reported gross tax exceeded the amount calculated at the published rate on full assessed value by more than five cents. Of the 974 parcels, 856 were exemption recipients. In addition, 226 mixed-use recipients were excluded from the bill analysis.

Residential properties that do not receive the residential exemption (e.g., apartment buildings) pay the adopted tax rate on all their taxable assessed value. Because of this, in the absence of other tax relief, tax bills on these properties are always higher than had the exemption never existed.

Among recipient properties[3], the change in tax bills varies by assessed value – As more remaining taxable value is subject to the adopted residential rate, the reduction in tax bills shrinks. In FY26, ignoring all other fees and exemptions, comparing two properties that received the exemption illustrates this effect. A property assessed at $500,000 and receiving the full $351,108 assessed-value exemption had a bill of $1,846, compared with $5,130 without the exemption. The exemption lowered this property's tax bill by $3,284, or 64.0%. For a property assessed at $1.5M, the same exemption of $351,108 would lower its property tax bill by $1,144 (7.4%).

Potential Pass Through of Property Taxes to Renters

The residential exemption raises tax bills for owners of renter-occupied property. The Boston Planning Department estimated that in FY25, nearly two-thirds (64.6%) of Boston's occupied housing units are renter-occupied units. Research shows that higher property taxes increase rents, although estimates range widely, with the most recent studies showing more modest increases. If apartment owners shift even part of the additional burden onto renters in the form of higher rents, the exemption may partly shift taxes from qualifying residential property owners to renters. A tax increase does not mean every landlord will raise rent. Higher tax bills for apartment buildings could translate into higher housing costs for renters in either the short or long-term.

Properties assessed at $500K or less saw the largest reduction in tax bills. The largest group of properties receiving the exemption had assessed taxable values higher than $500K and up to $1.5M (57,796); after receiving the exemption, the average reduction in their tax bills was $2,598. On average, at the highest band of property values (over $2M), receipt of the exemption did not lower tax bills. Among properties valued above $2M, after receipt of the exemption, average tax bills rose by $2,705.

The Residential Exemption Lowers Most Recipients' Property Tax Bills

Assessed Property Value (Without Exemption)	Number of Properties	Avg. Change in Tax Bill ($)	Avg. Change in Tax Bill (%)
$500,000 or less	12,351	-$3,185	−78.9%
Over $500,000 to $1.5M	57,796	-$2,598	−34.8%
Over $1.5M to $2M	3,194	-$699	−4.2%
Over $2M	3,638	$2,705	6.00%
All values	76,979	-$2,363	−38.6%

Findings Regarding the Residential Exemption

The residential exemption provides substantive relief to qualifying properties. In FY26, properties with the exemption collectively paid $187.6M less, with this amount shifting to properties without the exemption. Moreover, higher-valued properties and properties without the exemption shoulder a larger burden of the exemption, with lower-valued owner-occupied properties receiving the largest proportional reductions in tax bills. In the Research Bureau's analysis, the exemption lowered tax bills for 95.4% of properties that received

[3] This only includes residential-only properties. 226 mixed-use properties that received the exemption were excluded because their residential-only tax base could not be determined. These properties represented 0.29% of the citywide recipient count.

it. Among those properties, the largest proportional reductions on average were for properties assessed at $500,000 or less (pre-exemption).

Decision-makers should be aware that the residential exemption provides relief to taxpayers with lower-value properties and affects the remaining residential taxable base through upward pressure on residential tax rates.

The residential exemption's tax relief depends on the residential levy, eligibility for the exemption, and the distribution of assessed values. Decision-makers should be aware that the residential exemption provides relief to taxpayers with lower-value properties and affects the remaining residential taxable base through upward pressure on residential tax rates. A higher exemption proportion would exclude more assessed value from taxation, leaving the smaller remaining taxable base to support the same tax levy. Boston should report not only how much relief the residential exemption provides, but how the exemption affects the adopted residential tax rate and who bears the resulting fiscal effect. Annual reporting should distinguish aggregate assessed value exempted from net tax savings. While data that supports the calculation of the residential exemption is publicly available, City officials should distribute this information in a more accessible manner, bolstering the public's understanding of how this important tax provision works.

Appendix A: Classification

Classification was established by the State in 1978[4] to give tax relief to residential properties without lowering local revenue collections. Classification does not change the total property tax levy amount, but rather shifts the burden of who pays the levy. State law authorizes classification, but Boston annually chooses whether to adopt it and selects the factor within state limits. Without classification, all property would be taxed at a single rate based on its share of Boston's total taxable base. In FY26, that rate would have been $15.40 per $1000 of assessed value. Instead, through the full use of classification, Boston residents pay $12.40, while business property owners pay $26.96 per $1000 of value. Per M.G.L. c. 40, § 56, the City annually adopts a classification factor, which determines the shares of the property-tax levy assigned to residential and business property.[5] For example, in FY26, residential property represented 69.2% of Boston's full-value tax base. Without a classification shift, residential property would therefore have borne approximately 69.2% of the property-tax levy. Boston's adoption of classification reduced the residential share to 46.1%. Business property pays a majority (53.9%) of the City's tax levy despite making up just 30.8% of the City's assessed property value.

Appendix B: Changes to the Residential Exemption Over Time

Year	Government action	Residential Exemption Threshold after Change
1983	State adopts M.G.L. c.59, §5C in 1979; Boston subsequently implemented it beginning in FY1983.	Up to 10% of average Class One residential value
1989	State raises the statewide ceiling to 20%, Boston selected 20%	Up to 20% of average Class One residential value
2000	Boston-specific legislation (c.403, Acts of 2000) authorized Boston to raise the percentage to 30%; Boston implemented the maximum.	Up to 30% of average Class One residential value
2017	Under c.218 of the Acts of 2016, state raised the statewide ceiling to 35%; Boston selected 35%.	Up to 35% of average Class One residential value

Appendix C: Methods

Tax bill model and Reporting – The Bureau estimated each parcel's tax bill in FY26, holding the citywide residential levy fixed. Receipt of the exemption was a variable directly taken from the Analyze Boston data. It does not represent eligibility for the residential exemption. The Bureau applied the published FY26 rate of $12.40 per $1,000 to assessed value after subtracting the applicable exemption for all observations indicating receipt. For recipients, the deduction was capped at $351,108 and could not reduce taxable value below 10% of assessed value. Taxable values with the residential exemption were calculated based on the legal maximum and taxable floor. Without the exemption, the Bureau applied an estimated rate of $10.26 per $1,000 to each parcel's full assessed value. The rate of $10.26 per $1,000 is a calculated counterfactual rate and was not verified against a published rate. The Research Bureau derived this rate by estimating the levy

[4] Classification was authorized by a 1978 amendment to the Massachusetts Constitution and implemented through state legislation in 1979, in part to prevent property revaluation from shifting a substantial share of the tax burden from business to residential property.

[5] Business property here refers to commercial, industrial and personal (CIP) property classes.

from the published rate and the remaining taxable base, then dividing that levy by the full residential assessed value. The model excludes other exemptions and charges. The Research Bureau measured the exemption's effect as the modeled bill with the exemption minus the modeled bill without it. Reported averages weight each parcel equally, and percentage changes use each parcel's modeled bill without the exemption as the denominator.

Data, Sample and Limitations – The Research Bureau used FY26 parcel-level assessment data from Analyze Boston to model the effect of the residential exemption on property tax bills. All work was conducted using STATA statistical software. The analysis included 153,766 residential-only parcels, of which 76,979 were flagged as receiving the exemption. The Research Bureau excluded mixed-use parcels from the bill analysis because the data did not separately identify each parcel's residential assessed value. The residential portion of mixed-use property remained in the citywide tax base used to calculate rates. The Research Bureau excluded 974 residential-only parcels whose reported gross tax exceeded the amount calculated at the published rate on full assessed value by more than five cents. Of the 974 parcels, 856 were exemption recipients. In addition, 226 mixed-use recipients were excluded from the bill analysis. The 1,082 exclusions left 98.6% of FY26 recipients in the modeled sample.