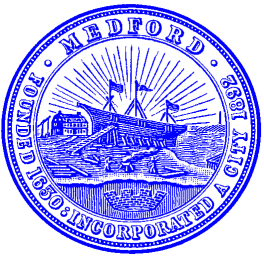


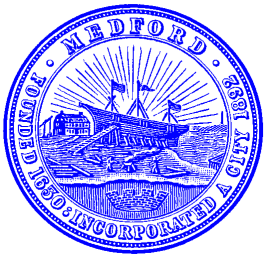
Residential Exemption Review

Prepared by: Ellen Brideau, MAA
Interim Chief Assessor



The Law Chapter 59, Section 5C

- Section 5C. With respect to each parcel of real property classified as Class One, residential, in each city or town certified by the commissioner to be assessing all property at its full and fair cash valuation, and at the option of the board of selectmen or mayor, with the approval of the city council, as the case may be, there shall be an exemption equal to not more than 35 per cent of the average assessed value of all Class One, residential, parcels within such city or town; provided, however, that such an exemption shall be applied only to the principal residence of a taxpayer as used by the taxpayer for income tax purposes.
- Where, under the provisions of section five, the exemption General Law - Part I, Title IX, Chapter 59, Section 5C is based upon an amount of tax rather than on valuation, the reduction of taxable valuation for purposes of the preceding sentence shall be computed by dividing the said amount of tax by the residential class tax rate of the city or town and multiplying the result by one thousand dollars.



Basics of the Law

Residential Property Only (Class 1)

Exemption is up to 35% of the average assessed Res. value

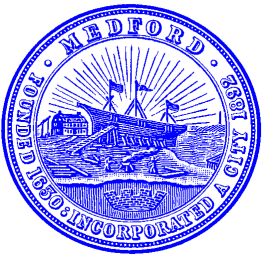
Only Applied to the Principle Residence (Own and Occupy)

Principle residence on tax return

Exemption is on value

Levy remains the same

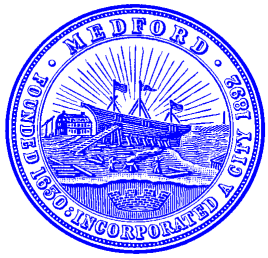
Shortfall is made up by a tax rate recalculation (Tax Shift)



Qualification

- **Properties Included**
 - **Single Family homes**
 - **Condominiums**
 - **Part of Two and Three-Family Homes**
 - **Part of Mixed use properties**

- **Properties Excluded**
 - **Non-Owner Occupied homes (second homes, rented)**
 - **Properties held in Trust (Medford Vs Kirby)**
 - **Apartment Building**
 - **Nursing Homes, Group Homes and Assisted Living Facilities**



Current Users

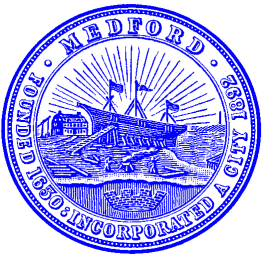
Only Fifteen Municipalities in MA have Exemption

Two communities joined in FY2006, Everett and Barnstable

Neighboring communities (Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Somerville, Waltham, Watertown)

Resort communities (Barnstable, Truro, Nantucket, Tisbury, Wellfleet, Provincetown).

Ten of the communities also use the CIP tax shift



Negative Adverse Effects of Tax Shift

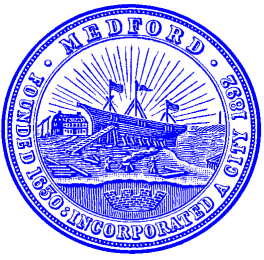
Impact on renters

Exclusion of Trust Owned Property

Not adopted by any Municipality with high % of owner occupants

Additional staff needed (13,000 + parcels to investigate)

Impact to Finances (Under or over estimate)



Basic Tax Rate Calculation

Basic Formula

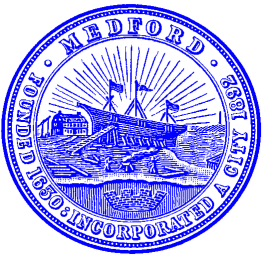
Tax Levy / Total Valuation * 1,000

FY2022 Tax Rate

\$105,333,186.05 (Levy) / \$11,690,697,675 (Value) * 1,000

or

\$9.01



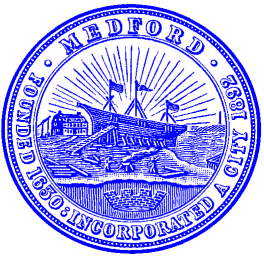
Assessment Report Without Exemption

Fiscal Year 2022 Approved Values & Tax Rate

Assessment Report Without Exemption

Property Type	Parcels	Total Assessed Values	Average Value Per Parcel	Approved Tax Rate	Tax Levy by Residential Class
Single Family 101	7,862	5,144,966,000	654,409.31	9.01	46,356,143.66
Condominiums 102	3,373	1,659,152,300	491,892.17	9.01	14,948,962.22
Two Family 104	3,937	3,282,778,700	833,827.46	9.01	29,577,836.09
Three Family 105	463	444,383,800	959,792.22	9.01	4,003,898.04
Apartment 111-125	115	686,094,700	5,966,040.87	9.01	6,181,713.25
Vacant/ Accessory Land 130-132,106	706	30,445,000	43,123.23	9.01	274,309.45
Miscellaneous Residential 103,109	24	23,330,900	972,120.83	9.01	210,211.41
Total	16,480	11,271,151,400.00	683,929.09		101,553,074.12

Source: DLS Residential Exemption Calculator

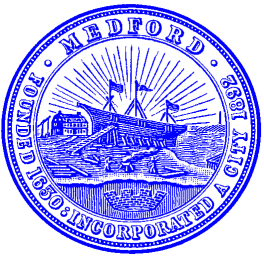


Estimated Percentage of Owner-Occupied

Enter percent owner-occupied as a decimal
(allowable range 0.01 to 1.00)

Residential Property Type	% Owner Occupied
Single family 101	0.95
Condominiums 102 :	0.84
Multi-family 104, 105 (2 & 3 family) :	0.71
Apartment 111-125 :	0.05
Miscellaneous Residential 103,109 :	0.55

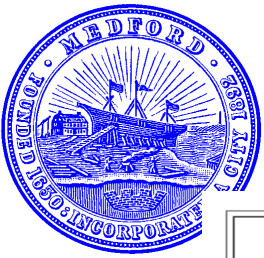
*Estimated using Assessors Database and Current Property Owners Mailing Addresses



Exemption Calculations @ 10%

Exemption Calculations					
Exemption Percent	Residential Exemption Amount	Potential Value Reduction in Residential Properties	New Taxable Value	Estimated New Residential Rate	2022 Residential Levy
10.00%	68,392.91	919,554,301.74	10,351,597,098.26	10.18	105,333,186

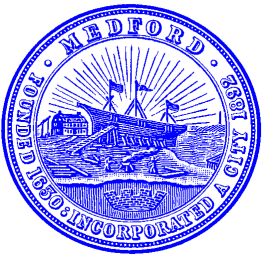
Source: DLS Residential Exemption Calculator



Estimated Impact on Residential Tax Bill @ 10%

Estimated Impact on Residential Tax Bill			
Owner-Occupied Home Value	Tax Bill Without Exemption	Tax Bill With Exemption	Change in Tax Bill*
70,000.00	630.70	16.36	-614.34
150,000.00	1,351.50	830.76	-520.74
240,000.00	2,162.40	1,746.96	-415.44
330,000.00	2,973.30	2,663.16	-310.14
420,000.00	3,784.20	3,579.36	-204.84
510,000.00	4,595.10	4,495.56	-99.54
595,076.77	5,361.64	5,361.64	.00
680,000.00	6,126.80	6,226.16	99.36
770,000.00	6,937.70	7,142.36	204.66
860,000.00	7,748.60	8,058.56	309.96
950,000.00	8,559.50	8,974.76	415.26
1,040,000.00	9,370.40	9,890.96	520.56
1,130,000.00	10,181.30	10,807.16	625.86
1,220,000.00	10,992.20	11,723.36	731.16

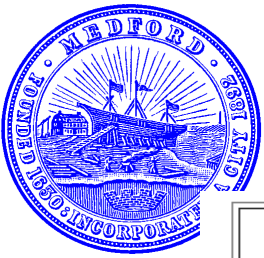
Source: DLS Residential Exemption Calculator



Exemption Calculations @ 20%

Exemption Calculations					
Exemption Percent	Residential Exemption Amount	Potential Value Reduction in Residential Properties	New Taxable Value	Estimated New Residential Rate	2022 Residential Levy
20.00%	136,785.82	1,839,108,603.49	9,432,042,796.51	11.17	105,333,186

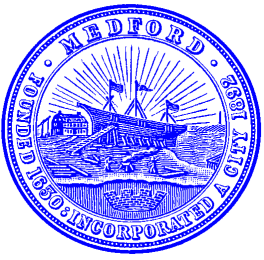
Source: DLS Residential Exemption Calculator



Estimated Impact on Residential Tax Bill @ 20%

Estimated Impact on Residential Tax Bill			
Owner-Occupied Home Value	Tax Bill Without Exemption	Tax Bill With Exemption	Change in Tax Bill*
140,000.00	1,261.40	35.90	-1,225.50
250,000.00	2,252.50	1,264.60	-987.90
340,000.00	3,063.40	2,269.90	-793.50
430,000.00	3,874.30	3,275.20	-599.10
520,000.00	4,685.20	4,280.50	-404.70
610,000.00	5,496.10	5,285.80	-210.30
707,360.00	6,373.31	6,373.31	.00
800,000.00	7,208.00	7,408.10	200.10
890,000.00	8,018.90	8,413.40	394.50
980,000.00	8,829.80	9,418.70	588.90
1,070,000.00	9,640.70	10,424.00	783.30
1,160,000.00	10,451.60	11,429.30	977.70
1,250,000.00	11,262.50	12,434.60	1,172.10
1,340,000.00	12,073.40	13,439.90	1,366.50

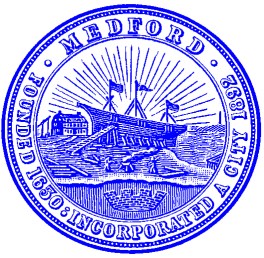
Source: DLS Residential Exemption Calculator



Exemption Calculations @ 35%

Exemption Calculations					
Exemption Percent	Residential Exemption Amount	Potential Value Reduction in Residential Properties	New Taxable Value	Estimated New Residential Rate	2022 Residential Levy
35.00%	239,375.18	3,218,439,988.88	8,052,711,411.12	13.08	105,333,186

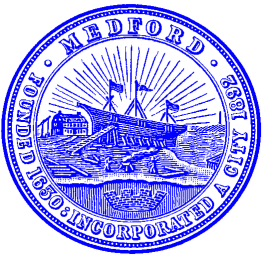
Source: DLS Residential Exemption Calculator



Estimated Impact on Residential Tax Bill @ 35%

Estimated Impact on Residential Tax Bill			
Owner-Occupied Home Value	Tax Bill Without Exemption	Tax Bill With Exemption	Change in Tax Bill*
240,000.00	2,162.40	8.17	-2,154.23
320,000.00	2,883.20	1,054.57	-1,828.63
410,000.00	3,694.10	2,231.77	-1,462.33
500,000.00	4,505.00	3,408.97	-1,096.03
590,000.00	5,315.90	4,586.17	-729.73
680,000.00	6,126.80	5,763.37	-363.43
769,294.19	6,931.34	6,931.34	.00
860,000.00	7,748.60	8,117.77	369.17
950,000.00	8,559.50	9,294.97	735.47
1,040,000.00	9,370.40	10,472.17	1,101.77
1,130,000.00	10,181.30	11,649.37	1,468.07
1,220,000.00	10,992.20	12,826.57	1,834.37
1,310,000.00	11,803.10	14,003.77	2,200.67
1,400,000.00	12,614.00	15,180.97	2,566.97

Source: DLS Residential Exemption Calculator

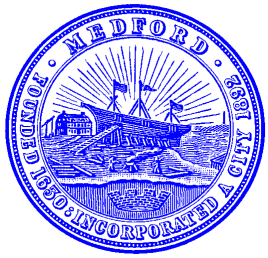


Residential Exemption - Summary

Redistribution of the tax levy among residential property owners

“Exemption” is a misnomer since it is actually a tax shift among residential properties (upper portion of the tax base will have a higher tax bill, lower portion of the tax base will have a lower tax bill)

Tends to penalize low income renters because Apartment buildings would not qualify, would be in the upper half and pass the increase on to the tenants



Possible Next Steps

Public Hearings to education taxpayers on process and potential impact

Preliminary vote to adopt

Approve additional staff

Notice of adoption to DOR by September 1, 2023