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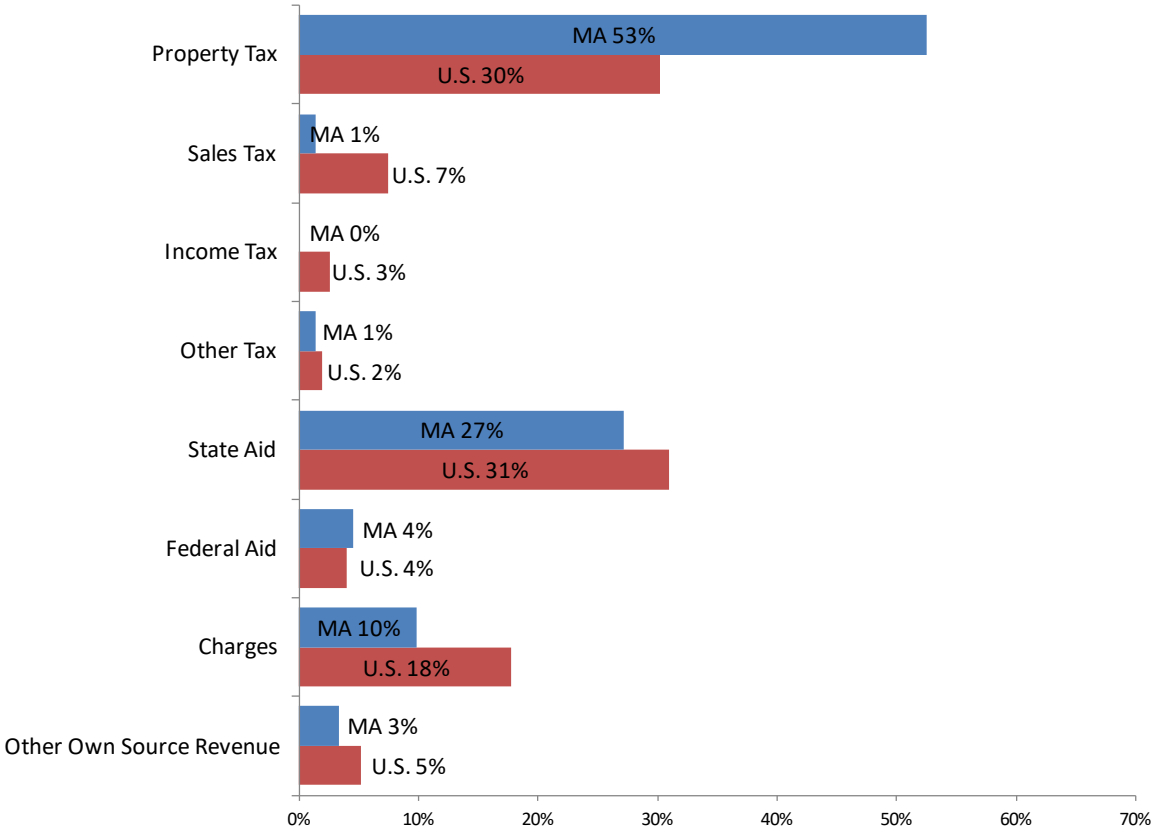
Massachusetts

Highlights

Property taxes are the primary source of revenue for funding local government services and schools in Massachusetts's 351 cities and towns (figure MA-1).

Massachusetts's tax limitation, known as Proposition 2 ½, a citizens' initiative petition, was adopted in November 1980. In addition to limiting the tax levy to 2 ½ percent of a municipality's total assessed value and annual increases of the levy to 2 ½ percent, the initiative abolished fiscal autonomy of school committees, curtailed state mandates on local governments, reduced the maximum rate for automobile excise taxes, eliminated binding arbitration for local police and firefighters' contracts, and allowed renters a deduction on their state income tax. Later amendments increased local flexibility for levy increases and ballot overrides.

Figure MA-1
Sources of Local General Revenue, Massachusetts and U.S., 2018



Source: U.S. Census via Significant Features of the Property Tax

Massachusetts towns can adopt classified tax rates. Certification of assessed values by the commissioner allows local officials, after a public hearing, to set different local tax rates for classes of residential, open space, commercial, and industrial property. Approximately one-third of the 351 cities and towns have adopted classified tax rates; the remainder set a single rate for all property.

Property Tax Reliance

Massachusetts's property tax burden is high relative to other states as measured per capita or as a percentage of personal income (table MA-1).

Table MA-1
Selected Massachusetts Property Tax Statistics, 2018[1]

	Massachusetts	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,562	$1,667	*7*
Property tax percentage of personal income	3.6%	3.1%	*13*
Total property tax as percentage of state-local revenue	21.5%	16.6%	*9*
Median owner-occupied home value[2]	$381,600	$217,500	*4*
Median real estate taxes paid for owner-occupied home[2]	$4,679	$2,471	*5*
Effective tax rate, median owner-occupied home[3]	1.2%	1.1%	*18*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Local officials in each city and town assess, levy, and collect property taxes for all real and personal properties subject to taxation within their municipalities.

Property is assessed at its full market value, with special provisions for agricultural, forest, and recreational land. Property valuations determined by local assessors are reviewed and certified every five years by the commissioner of revenue. Certification is a necessary prerequisite for cities and towns to exercise their local option to tax classes of real property at different rates according to their use. A residential factor, based on the percentage share the full value of each class bears to the total property value of the municipal tax base, is determined by the commissioner to establish the maximum shift that ensures that the residential property class will share at least 50 percent of its full value share of the tax

levy and that the commercial and industrial classes will pay no more than 175 percent of their full value share.

Limits on Property Taxation

The amount raised by property taxes is governed by two limits: an annual increase limit (2 ½ percent plus an amount for new construction) and an overall limit (2 ½ percent of total assessed value). Voters may override these limits at local elections (Massachusetts Division of Local Services).

Property Tax Relief and Incentives

Property tax relief includes exemptions for veterans; surviving spouses; the blind, deaf, and disabled; and the elderly, including tax deferrals and a senior property tax work-off abatement, adopted at local option. The state does offer and fund a circuit breaker program limited to elderly homeowners and renters whose property taxes exceed 10 percent of income (table MA-2). The maximum benefit is $1,100 (2019).

Massachusetts offers several property tax incentives for economic development. The state's Economic Development Incentive Program includes two local incentives: the Tax Increment Financing (TIF) exemption program and the Special Tax Assessment abatement. Unlike other states, Massachusetts defines TIF as a property tax exemption. A separate program, called District Improvement Financing (DIF), is a conventional tax increment finance program that allows for the earmarking of tax increments for public improvements and incurring of debt to fund such improvements within the designated area.

Table MA-2
Massachusetts Property Tax Features, 2019

Feature	Massachusetts	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	34

Sources: Significant Features of the Property Tax

Key Property Tax History

Since 1980, local property taxation has undergone major changes as a result of judicial, legislative, and voter initiatives. Massachusetts local property taxes were among the highest in the nation and lacked equitable assessments both within and between municipalities. Legal challenges to inequitable assessments eventually culminated in the 1974 *Sudbury* decision by the Massachusetts Supreme Judicial Court, which demanded that local governments adhere to the "full and fair cash value."

Strong local resistance resulted in slow progress until a legislative amendment to the constitution reached the ballot and was adopted in 1978, allowing differential taxation for up to four classes of property. The enabling legislation, Chapter 797 of the Acts of 1979, established a comprehensive legal and administrative framework for taxation of property, with extensive authority placed in the Massachusetts commissioner of revenue.

Although progress toward undertaking revaluations increased, local governments were reluctant to move quickly due to their taxpayers' concern about the cost and full effects of revaluation. In response to this concern, rising property taxes, and the adoption of Proposition 13 in California, the Massachusetts electorate in November 1980 endorsed the statewide tax limitation, known as Proposition 2 ½. By limiting the amount that a city or town could raise in taxes to 2 ½ percent of the total value of its taxable property, this new law provided the necessary incentive to establish full value assessments. In 1980, many municipalities were taxing above the limit and were required to reduce their levy by 15 percent per year until the limit was achieved. When Proposition 2 ½ went into effect in fiscal year 1982, new full value assessments dramatically decreased the number of communities required to reduce their taxes (Farmer 2021).

These combined judicial, legislative, and citizen initiatives produced major changes in the property tax system in Massachusetts. Cities and towns maintain full value assessments and have discretion in establishing uniform or classified tax rates as well as in adopting exemptions. Local decisions about spending must be made within the constraints of tax levy limits. Many towns but few cities have passed overrides of the annual levy limit, particularly for school-related funding or debt exclusions for capital expenditures.

Recent Developments

Massachusetts lawmakers are considering two related bills that would authorize local governments to require payments in lieu of taxes (PILOTs) from tax-exempt charitable non-profits with property value over $15 million equal to 25 percent of what they would ordinarily pay (H.D. 3080) and require annual assessments of tax-exempt property value for property valued over $1 million (H.D. 2068) (Kingdollar 2021). Although the City of Boston has one of the most successful payment in lieu of tax (PILOT) programs in the nation, City Council President Kim Janey (who became mayor of Boston in 2021) announced in her first address as council president in January 2020 that seeking additional revenue from the city's nonprofits would be a top priority, and announced a commission to review the city's PILOT program (Cotter 2020; Kenyon and Langley 2016). The city's program has 47 nonprofits, of which 35

have made regular payments; in fiscal year 2020, 10 nonprofits made lower payments than in 2019, many citing pandemic-related losses (Herman 2020).

In response to the Covid-19 pandemic, Governor Charlie Baker signed a law in April 2020 authorizing local governments to delay town meetings beyond June 30 as a result of the pandemic emergency and to extend due dates for property tax payments and applications for property tax exemptions or deferrals (Chapter 53 of the Acts of 2020).

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