



Roadmap to **MASSACHUSETTS PROPERTY TAXES**

General Assessment Overview

Assessing is performed at the city or town level under the oversight of the Department of Revenue (DOR). Each jurisdiction may elect to collect taxes on a semi-annual or quarterly basis for each fiscal year. Most communities in the Greater Boston area collect taxes quarterly.

All jurisdictions are on a mandatory five-year recertification cycle and all properties must be reassessed. During a certification year, the jurisdiction's assessments are subject to a more thorough review and approval by the DOR to ensure they fall within an acceptable statistical range of current market value. These cycles vary among jurisdictions. The Boston revaluation cycle is FY 2021, 2026, 2031, etc.

While the five-year cycle is mandatory, jurisdictions update assessments annually. Assessments are required to be maintained at 100% of fair market value as of the preceding January 1 valuation date. For example, FY 2022 assessments have a valuation date of January 1, 2021.

Massachusetts has adopted a classification system where commercial and industrial property classes may, by local option, be taxed at a higher rate than the residential class.

Proposition 2 1/2

Real estate taxation in Massachusetts is controlled by tax limitation legislation known as Proposition 2 ½. This law provides that the amount of tax revenue raised for the entire community, the total levy, in a given year cannot exceed the prior year amount by more than 2 ½%, excepting additional taxes for new construction, other property improvements, and

other additions to the real estate base not included in the prior year base, such as subdivisions and condominium conversions.

As a result of this legislation, there is no direct correlation between value and taxes. Because of the intricacies of the Proposition 2 ½ formula, the actual increase in the tax levy will not be dependent upon the value increases but rather upon the legislated tax levy limit and the amount of new or improved property added to the real estate base.

Since the implementation of the Proposition 2½ fiscal restraints, many cities and towns have struggled to maintain service levels or provide adequate funding for capital projects like school construction. Consequently, more frequent attempts at debt exclusions and local overrides of Proposition 2 ½, which are permitted by the law, have been initiated and approved by voters.

City of Boston

The City of Boston updates its assessments annually using mass appraisal methodology. Most commercial properties are assessed using an income approach. To determine the fee simple value of a property, the city estimates the market rate for the various types of space in the subject property. They then apply a percentage allowance to reflect the market operating expenses, the market vacancy, and appropriate capital reserves. This allowance is applied to the Gross Potential Income to arrive at a Net Operating Income (NOI) for the property.

The NOI is divided by the cap rate developed for each property class and the resulting value is typically rounded to the nearest \$100.00. Final lump sum value adjustments both positive and negative may be made for extraordinary conditions or features.

Appeal Timeframe and Procedures

Property owners must file an Application for Abatement on or before the due date of the first installment of the actual tax. The first level appeal deadline in Boston, under the quarterly billing system, is usually February 1.

If necessary, filing at the Appellate Tax Board (ATB) must be made within three months of the decision date of the assessor’s. If the Board of Assessors does not respond to an Application for Abatement, the property owner has six months from the date of the abatement application to file the next level of appeal at the ATB.

If a revaluation is in process, informal hearings may be held with an assessor and/or revaluation company prior to the issuance of the tax bills. If negotiations are unsatisfactory, an abatement application may be pursued with the Board of Assessors.

When filing an Application for Abatement, all property taxes must be paid on time or the ATB appeal can be dismissed because of lack of jurisdiction.

Many jurisdictions also send out financial information requests under MGL 38D. The information request typically includes income and expense information, rent rolls, and capital budgets. Failure to comply with this request (60 days from the mailing date) may result in the loss of appeal rights for that fiscal year.

Tax Bills

Quarterly Tax Bills

	ISSUED on or before	PAYABLE on or before
1st Quarter	July 1	Aug 1
2nd Quarter	Oct 1	Nov 1
3rd Quarter	Dec 31	Feb 1
4th Quarter	Apr 1	May 1

The first two quarterly bills are issued solely for collection of the preliminary tax and do not give an assessed value, property description, or tax rate for the current fiscal year. They are preliminary or estimated, each approximately equal to 25% of the previous fiscal total tax.

The third quarter tax bill provides the initial notice of the assessed value, tax rate, and the total fiscal year tax and equals 50% of the remaining taxes due for the fiscal year. This bill should indicate any previously made preliminary payments as credits against the fiscal year total.

The fourth and final quarter bill reflects the balance that remains after the first three tax payments, usually an amount essentially equal to the third quarter bill.

Semi-Annual Tax Bills

For towns and cities that utilize the semi-annual billing cycle, the first half installment is typically issued in October. The due date for these bills is 30 days after the issue date.

The second half installment is issued on or before April 1 and is payable on or before May 1.

Late payment, by even one day, will result in interest of 14% per annum and the loss of appeal rights.

Personal Property

A corporation’s personal property tax liability in Massachusetts is limited to machinery used in the course of business as defined by the owner.

Personal property is taxed at the same rate as commercial/industrial real estate.