City of Boston
Assessing Department

Property Tax Facts and Figures

Fiscal Year 2004

THOMAS M. MENINO, MAYOR

Ronald W. Rakow
Commissioner of Assessing

March 2004

ASSESSING DEPARTMENT

Boston City Hall, Room 301, Boston, MA 02201

March 2004

Dear City of Boston Property Owner,

The City of Boston has completed the assessment of all taxable property for Fiscal Year 2004. The Fiscal Year 2004 assessments represent the full and fair cash value of property as of January 1, 2003.

<u>Facts and Figures - Fiscal Year 2004</u> presents in text, charts and tables an overview of property taxes in the City of Boston. Through comparative and historical data, a taxpayer can compare Fiscal Year 2004 assessments and tax rates with those in earlier years and with those in other jurisdictions.

This publication is one of many developed by the Assessing Department to provide taxpayers with all the information necessary to be assured that their property taxes are fair and equitable.

As always, we appreciate your comments.

Sincerely,

Ronald W. Rakow
Commissioner of Assessing

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FAIR MARKET VALUATION

The Assessing Department is statutorily obligated to assess all property at its full and fair cash value as of January 1 of each year (Massachusetts General Laws, Chapter 59, Section 38). The assessed value for the Fiscal Year 2004 tax bill represents the fair cash value of property as of January 1, 2003. Full and fair cash value is defined as the price an owner willing, but not under compulsion, to sell ought to receive from a buyer willing, but not under compulsion, to purchase.

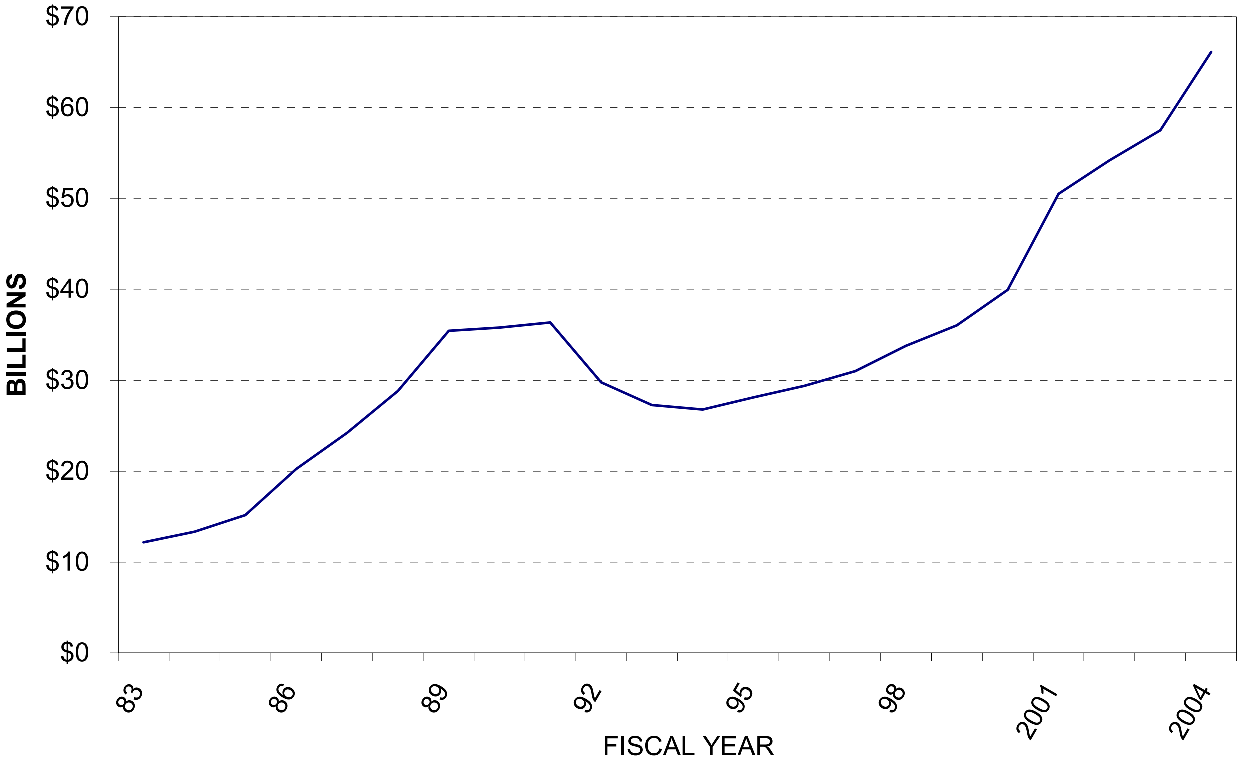
Assessments are determined using three methods:

- Cost Approach – the value is based on the estimated cost to replace or reproduce the buildings and improvements of a property, less any depreciation, plus the value of the land;
- Income Approach – the value is based on the income-producing capabilities of the property;
- Market Approach – the value is based on recent sales of comparable properties.

Constitutional and statutory provisions prohibit the assessment of property above or below its full and fair cash value. "Full and fair cash value" represents the applied constitutional and statutory standard protecting the property owner's right to pay only his or her fair share of the tax burden. The City of Boston has remained in compliance with the "full and fair cash value" standard since it was enacted in Fiscal Year 1983.

Chapter 40, Section 56 of the Massachusetts General Laws requires that all cities and towns complete a revaluation and undergo certification by the Department of Revenue every three years. Boston undertook its most recent revaluation in Fiscal Year 2004. Triennial revaluation requires parcel-specific data collection and detailed economic research and analysis. The assessment data must be stored in a readily updated Computer-Assisted Mass Appraisal (CAMA) system.

TOTAL ASSESSED VALUE
FY 1983 - 2004



FISCAL YEAR	TOTAL VALUE
1983	$12,175,949,017
1986	20,249,421,480
1989	35,433,672,139
1992	29,784,758,269
1995	28,115,695,000
1998	33,762,902,300
2001	50,494,513,454
2002	54,189,507,508
2003	57,533,345,415
2004	66,141,729,727

- The tax base (total value of all taxable property assessed) increased from $57.5 billion in FY 2003 to $66.1 billion in FY 2004, an increase of $8.6 billion or 15.0%.

HOW VALUES ARE DETERMINED

The job of the assessor is to determine the market value of every parcel of property as of each January first. In practice, there are three accepted approaches to value: market, income and cost.

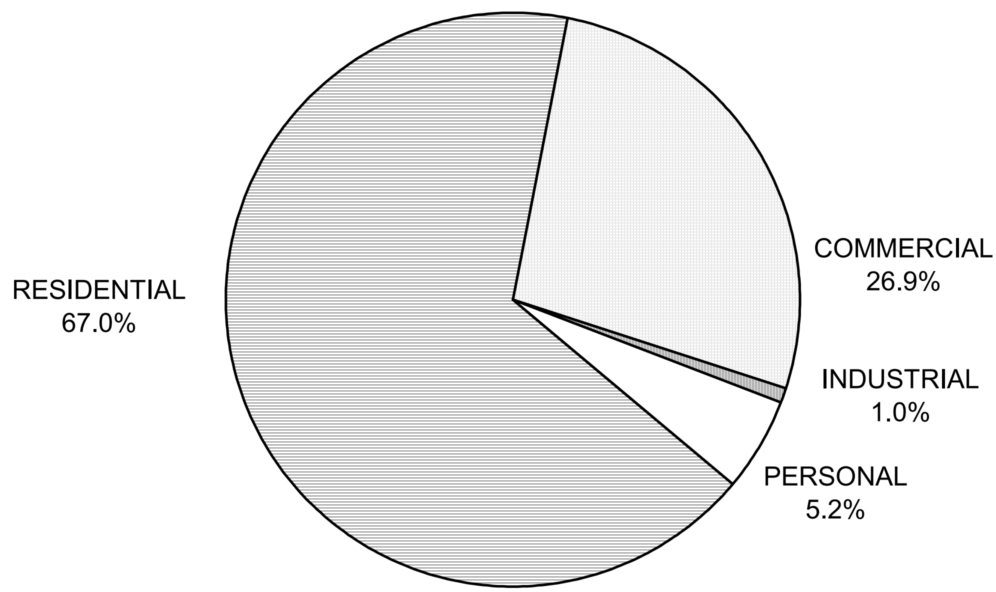
Market Approach - Market sales of similar properties which sold in the year prior to January first are analyzed, compared and adjusted to forecast what the property would sell for on January first. When there are many sales, the market approach is the most accurate and dependable tool in the determination of value. Most residential property is valued by the market approach.

Income Approach - The income stream that a property is likely to produce for an investor over a definite period of time is determined by examining data such as rents, occupancy rates, and expenses. The process of capitalization converts the future income stream into present worth or market value. The income approach is most applicable to real estate that is bought and sold based on its income-producing capabilities, such as retail stores, office buildings and apartment buildings.

Cost Approach - The current reproduction or replacement cost of a property is determined, with adjustments made for depreciation and land value. Reproduction cost is the amount of money necessary to erect a new structure that is an exact replica of the existing building. Replacement cost is the expenditure necessary to build a new building equal in utility to the original and able to serve as a substitute in function. The cost approach is most applicable to special-purpose properties that are not readily sold or rented.

The final step in the appraisal process for a parcel is to analyze the value indications from cost, market and income approaches and determine a single market value for the parcel of property.

ASSESSMENTS: MAJOR CATEGORIES
FY 2004



PROPERTY TYPE	TOTAL VALUE
RESIDENTIAL	$ 44,313,799,040
COMMERCIAL	$ 17,761,725,236
INDUSTRIAL	$ 642,200,851
PERSONAL	$ 3,424,004,600

ASSESSMENT DATES AND FISCAL YEAR

In Massachusetts, the assessment date is January first.

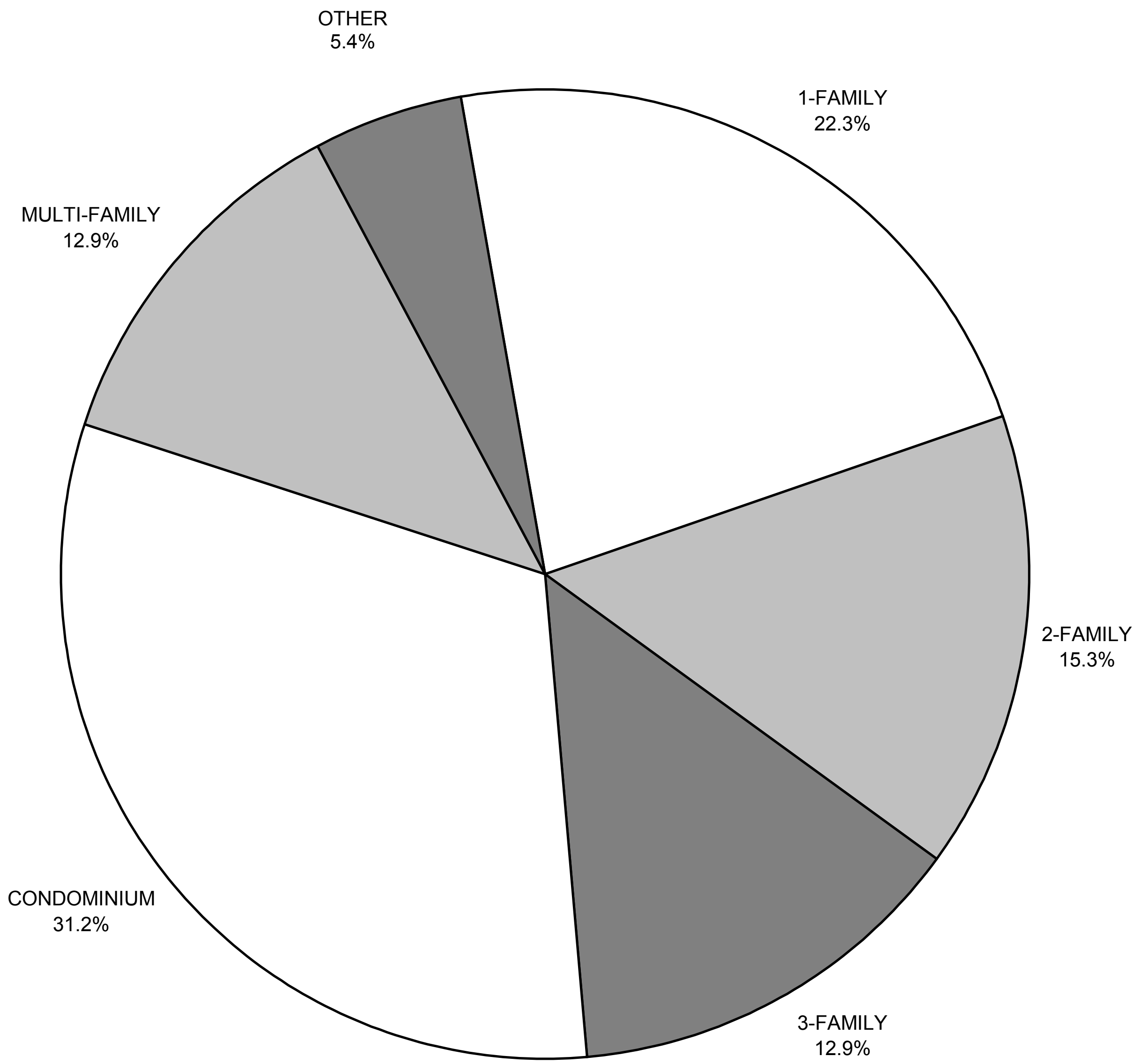
It is the ownership, condition and value of the property on January first that is critical in the assessing function. Any new structures, additions, demolitions, improvements or alterations that occur after January first will not be reflected in the assessing records until the next January first. The only exception is certain exempt property which has a date of determination of July first.

In Massachusetts, the fiscal year commences on July first and ends on the following June thirtieth.

Property taxes are assessed for the fiscal year (July 1 - June 30) based on the value of the property as of the previous January first.

For example, property taxes for Fiscal Year 2004 (July 1, 2003 to June 30, 2004) are based on the value of properties as of January 1, 2003.

RESIDENTIAL ASSESSMENTS
FY 2004



PROPERTY TYPE	TOTAL VALUE
1-FAMILY	$ 9,940,183,159
2-FAMILY	6,773,072,628
3-FAMILY	6,098,277,915
CONDOMINIUM	13,837,292,376
MULTI-FAMILY	5,471,267,998
OTHER	2,193,704,964

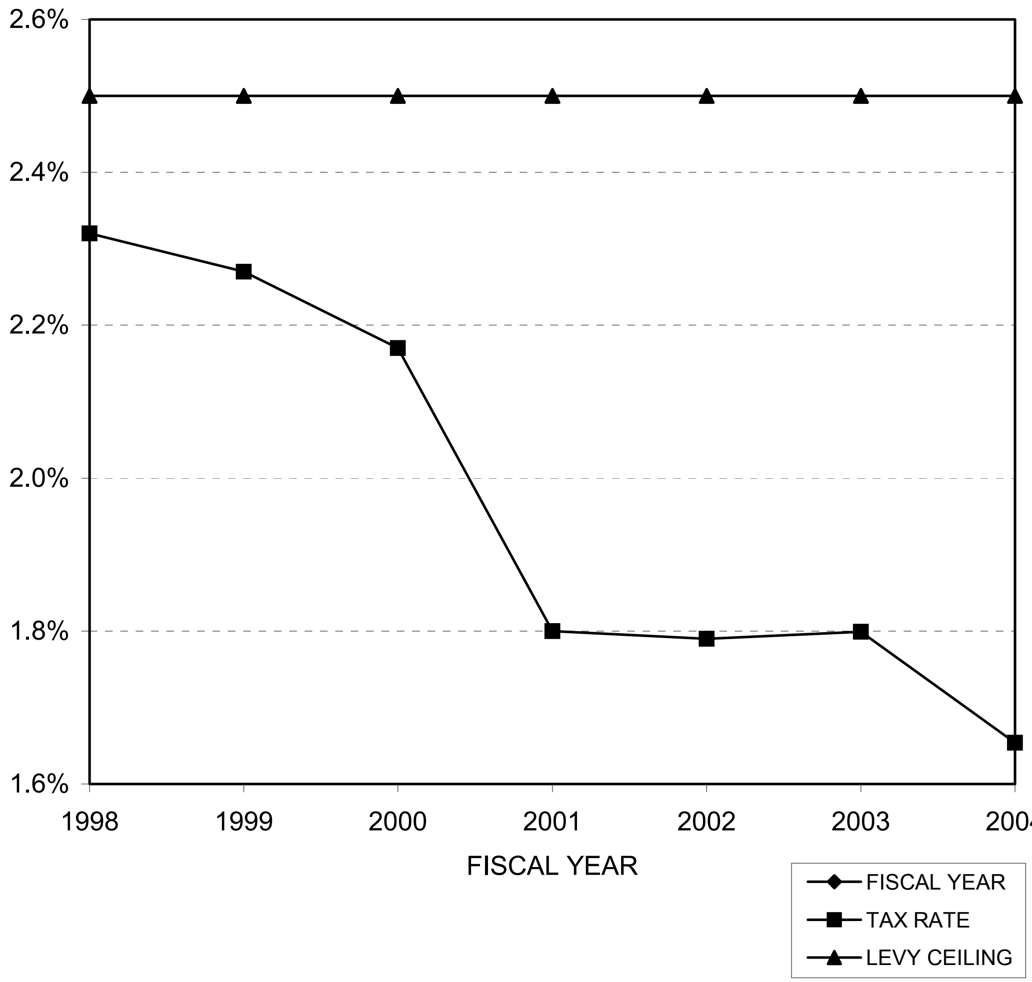
PROPOSITION 2 ½

Proposition 2 ½, an initiative petition, was approved by the citizens of the Commonwealth in 1980.

Its principal provisions relative to the property tax are to:

- limit the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property.
- limit the property tax levy to no more than a 2.5% increase over the prior year's levy limit (with certain provisions for new growth and construction). Taxpayers should note that the 2.5% limit applies to the entire levy. It does not limit the increase in individual assessments.
- provide for local overrides of the levy limit and a local option to exclude certain debt from the limit. Since the inception of Proposition 2 1/2, the City of Boston has not voted either to override the levy limitations or exclude any debt as allowed by Proposition 2 1/2.

OVERALL EFFECTIVE TAX RATES
FY 1998 - 2004



- The overall effective tax rate -- taxes as a percent of value -- is 1.65% in FY 2004.
- Under the provisions of Proposition 2 1/2, the property tax may not exceed 2.5% of the value of all taxable property.

CLASSIFICATION

In 1978, the citizens of the Commonwealth approved a constitutional amendment authorizing the Legislature to classify real property into as many as four classes and to tax these classes differently. The original classification act prevented the shifting of taxes from business property onto residential property as a result of court-ordered revaluations.

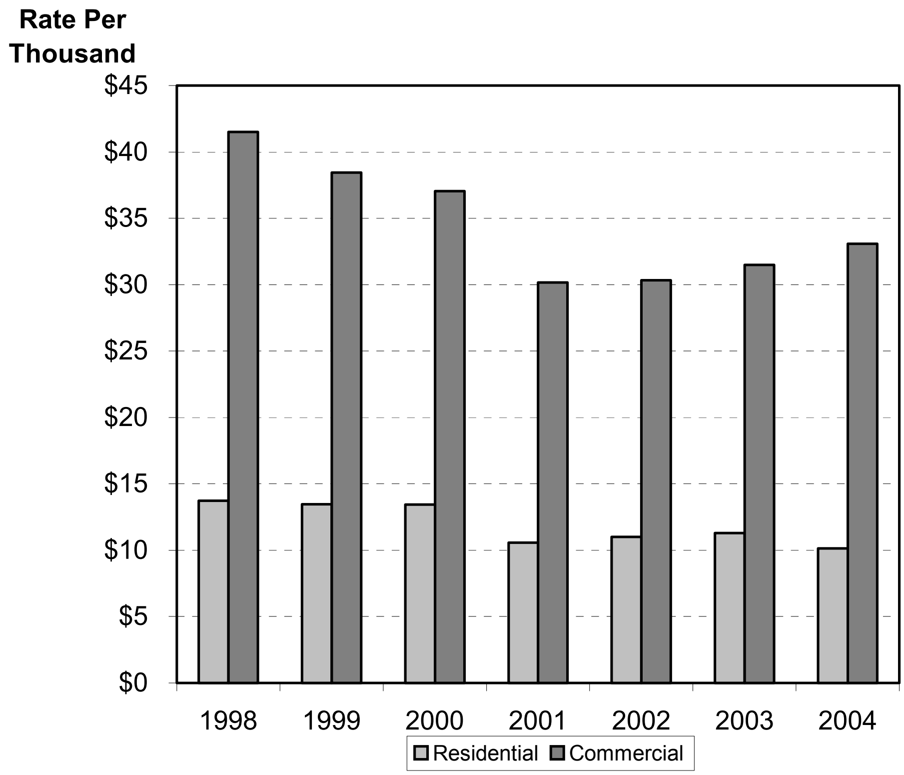
Between 1983 and 1987, however, rapid appreciation in property values increased the residential share of the property tax burden. In Fiscal Year 1989, legislation approved by the state legislature revised the limits provided under the original classification act and enabled local officials to mitigate further tax shifts.

For Fiscal Year 2004, real estate values for business properties are either stagnant or on the decline, while residential values continue to appreciate dramatically. This highly unusual situation led to a legislative effort to revise again the classification parameters.

Under the new 2004 parameters, residential taxes can be no lower than 45% of what they would be if property was not classified, and disfavored classes (commercial, industrial, personal) can not be taxed more than 200% of what these classes would pay without classification, provided that the residential portion of the levy is not reduced below its lowest previous post-Fiscal Year 1983 level. These expanded parameters will be adjusted annually according to a specific schedule, ending in 2008, when affected communities move back to the Fiscal Year 2003 parameters.

Preferential tax treatment for residential property is not required by the Commonwealth, but is rather a local option. In Boston, the City Council, with the approval of the Mayor, has chosen to fully implement classification, thereby reducing the residential tax rate to the lowest level allowed by law.

CLASSIFIED TAX RATES
FY 1998 – 2004



- The FY 2004 commercial, industrial and personal property tax rate is $33.08 per thousand dollars of value.
- The FY 2004 residential tax rate is $10.15 per thousand dollars of value.

REVALUATION

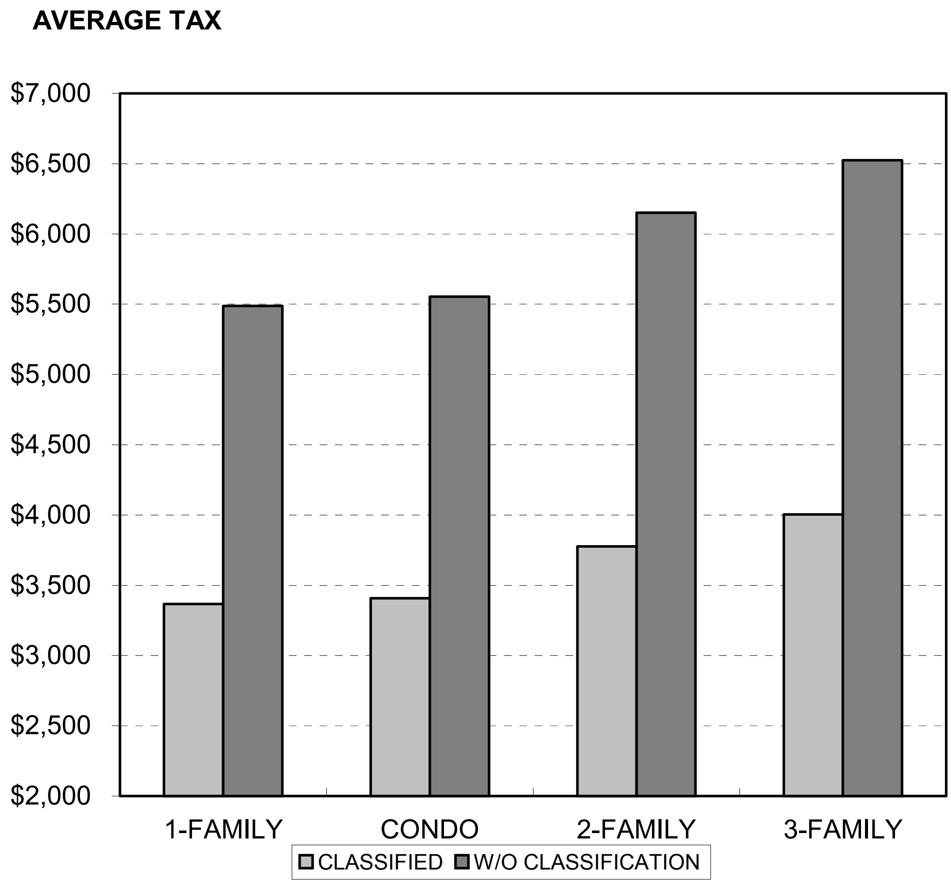
In Fiscal Year 2004, as mandated by state law, the city conducted a parcel-specific revaluation. All cities and towns in Massachusetts must conduct a revaluation once every three years.

During a revaluation, the statistical models that generate values based on property characteristics (location, size, condition, etc.) are recalibrated using recent real estate market data, including property sales and rents. The Massachusetts Department of Revenue ("DOR") applies a rigorous certification process when a community revalues its property. The DOR requires that assessments meet strict statistical tests to ensure that they accurately reflect the market and are applied consistently.

In the years between revaluations, the City, pursuant to state law, may trend values or employ market-indexing to keep property assessments accurate. For Fiscal Years 1983 – 2004, the City of Boston has complied with the full and fair cash value standard as follows:

FY 83	Parcel-specific revaluation
FY 84	Market-indexed assessments
FY 85	Market-indexed assessments
FY 86	Parcel-specific revaluation
FY 87	Market-indexed assessments
FY 88	Market-indexed assessments
FY 89	Parcel-specific revaluation
FY 90	Property values stable
FY 91	Property values stable
FY 92	Parcel-specific revaluation
FY 93	Market-indexed assessments
FY 94	Market-indexed assessments
FY 95	Parcel-specific revaluation
FY 96	Market-indexed assessments
FY 97	Market-indexed assessments
FY 98	Parcel-specific revaluation
FY 99	Market-indexed assessments
FY 00	Market-indexed assessments
FY 01	Parcel-specific revaluation
FY 02	Market-indexed assessments
FY 03	Market-indexed assessments
FY 04	Parcel-specific revaluation

IMPACT OF CLASSIFICATION
FY 2004



- Without the implementation of classification to the benefit of residential taxpayers, average residential tax bills would increase substantially.

- Classification saves homeowners:
  - an average of $2,120 on a single-family home;
  - an average of $2,146 on a residential condominium;
  - an average of $2,377 on a two-family home;
  - an average of $2,520 on a three-family home.

QUARTERLY TAX BILLS

The City of Boston has adopted the provisions of Massachusetts law which allow cities and towns to issue tax bills on a quarterly basis.

A preliminary payment is due August 1 (first quarter) and November 1 (second quarter) of each year. The amount is equal to fifty percent of the prior year's tax, divided into two equal payments. The preliminary tax is not an estimated tax bill for the new fiscal year; rather, as indicated on the tax bill, it is a preliminary amount based upon the prior year's tax due.

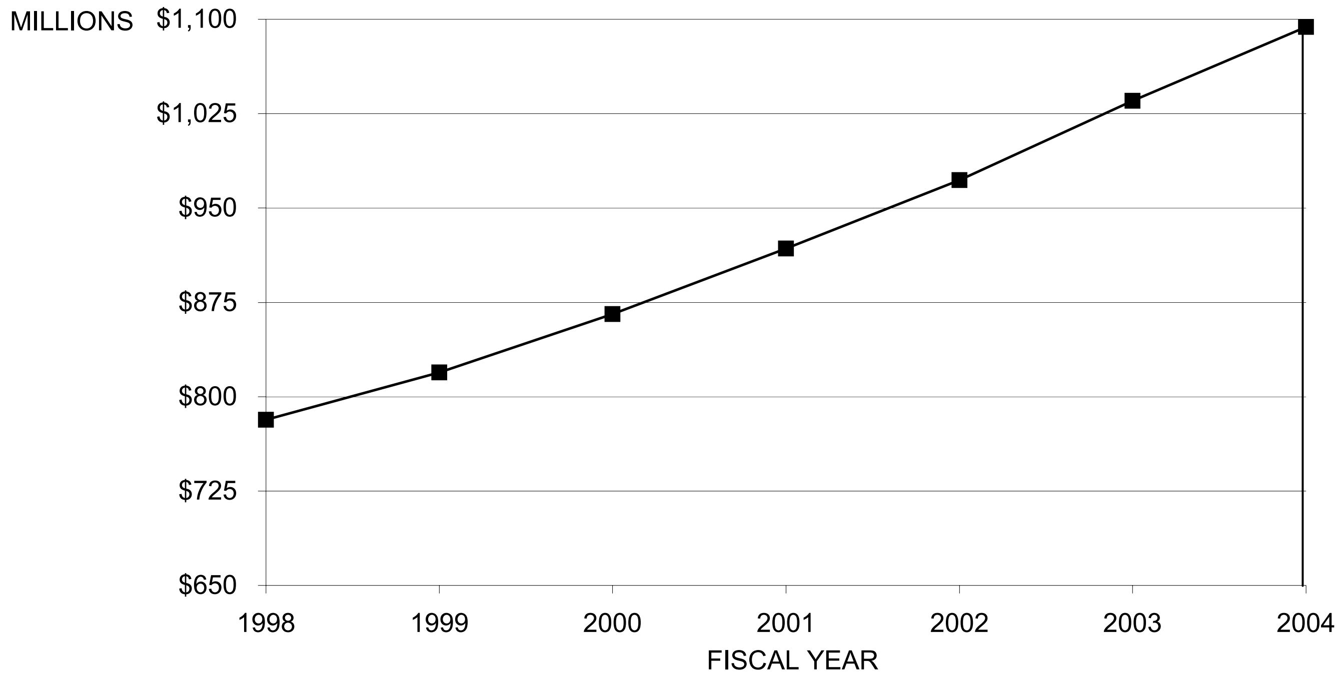
While the third quarter bill issued in late December of each year usually represents the actual tax bill, for Fiscal Year 2004 it is the fourth quarter bill issued in late March that indicates the fair cash value assessment for the fiscal year and the entire tax owed. The appropriate filing deadline dates for personal and residential exemption applications are based on the date of this bill. Any exemption for which a taxpayer is eligible appears as a credit on this bill.

The tax due, less the earlier preliminary payments and any exemption for which the taxpayer is eligible, is payable in two equal installments:

* the third quarter payment was due on February 2

* the fourth quarter payment is due on May 3

TOTAL PROPERTY TAX LEVY
FY 1998 - 2004



FISCAL YEAR	LEVY
1998	$ 781,624,816
1999	819,300,061
2000	865,752,439
2001	917,749,944
2002	972,223,769
2003	1,035,270,812
2004	1,093,936,627

- The tax levy increased from $1.035 billion in FY 2003 to $1.094 billion in FY 2004, an increase of $58.7 million, or 5.7%.

NEW GROWTH

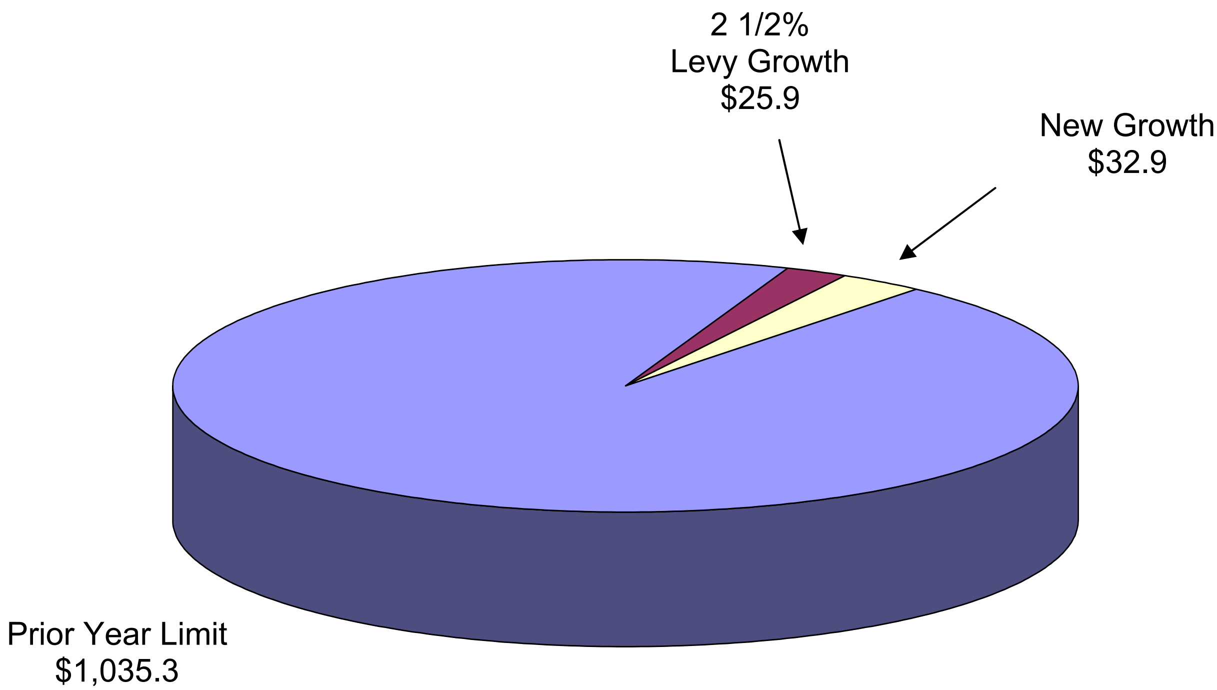
Proposition 2 ½ allows a community to increase its levy limit annually by an amount based upon the valuation of certain new construction and other growth in the tax base that is not the result of property revaluation. The purpose of this provision is to recognize that new development results in additional municipal costs; for instance, the construction of a new housing development may result in increased school enrollment, public safety costs and so on.

This provision covers:

- new construction, additions, and alterations that result in increases in assessed valuation aside from revaluation effects;
- exempt property returned to the tax rolls and net increased valuation for subdivision parcels and condominium conversions.

New growth is calculated by multiplying the increase in the assessed valuation of a newly constructed or altered property, exempt property returned to the tax rolls, and subdivision parcels and condominium conversions by the prior year's tax rate for the appropriate class of property.

TAX LEVY LIMIT, FY 2004
(MILLIONS OF DOLLARS)



TAX LEVY LIMIT, FY 1998-2004

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
PRIOR YEAR LIMIT	$749.0	$781.7	$819.3	$865.9	$917.7	$972.4	$1,035.3
2 ½ % LEVY GROWTH	18.7	19.5	20.5	21.6	22.9	24.3	25.9
NEW GROWTH	14.0	18.1	26.1	30.2	31.8	38.6	32.9
TOTAL	$781.7	$819.3	$865.9	$917.7	$972.4	$1,035.3	$1,094.1

PROPERTY TAX RECAP
FY 1998 - 2004

	CLASS	TOTAL VALUE	VALUE PERCENT	TOTAL LEVY	LEVY PERCENT	TAX RATE	RESIDENTIAL EXEMPTION
FY04	RESIDENTIAL	$44,313,799,040	67.0	$371,868,680	34.0	$10.15	$1,110.27
	COMMERCIAL	17,761,725,236	26.9	587,557,871	53.7	33.08	
	INDUSTRIAL	642,200,851	1.0	21,244,004	1.9	33.08	
	PERSONAL	3,424,004,600	5.2	113,266,072	10.4	33.08	
	TOTAL	$66,141,729,727		$1,093,936,627			
FY03	RESIDENTIAL	$35,147,998,112	61.1	$330,356,225	31.9	$11.29	$988.15
	COMMERCIAL	18,640,038,202	32.4	586,974,803	56.7	31.49	
	INDUSTRIAL	602,729,861	1.0	18,979,963	1.8	31.49	
	PERSONAL	3,142,579,240	5.5	98,959,820	9.6	31.49	
	TOTAL	$57,533,345,415		$1,035,270,812			
FY02	RESIDENTIAL	$31,774,558,021	58.6	$292,388,351	30.1	$11.01	$881.14
	COMMERCIAL	18,905,255,821	34.9	573,402,751	59.0	30.33	
	INDUSTRIAL	619,669,646	1.1	18,794,580	1.9	30.33	
	PERSONAL	2,889,814,920	5.3	87,648,086	9.0	30.33	
	TOTAL	$54,189,298,404		$972,233,769			
FY01	RESIDENTIAL	29,227,208,073	57.9	$276,115,340	30.1	$10.58	$524.52
	COMMERCIAL	17,937,637,050	35.5	541,178,510	59.0	30.17	
	INDUSTRIAL	633,440,771	1.3	19,110,908	2.1	30.17	
	PERSONAL	2,696,227,560	5.3	81,345,185	8.9	30.17	
	TOTAL	$50,494,513,454		$917,749,944			
FY00	RESIDENTIAL	$22,235,712,600	55.7	$260,399,450	30.1	$13.15	$499.12
	COMMERCIAL	14,414,357,800	36.1	493,115,180	57.0	34.21	
	INDUSTRIAL	633,403,100	1.6	21,668,720	2.5	34.21	
	PERSONAL	2,647,444,860	6.6	90,569,089	10.4	34.21	
	TOTAL	$39,930,918,360		$865,752,439			
FY99	RESIDENTIAL	$20,587,297,900	57.1	$246,544,940	30.1	$13.44	$474.69
	COMMERCIAL	12,456,985,700	34.6	461,406,750	56.3	37.04	
	INDUSTRIAL	707,387,300	2.0	26,201,626	3.2	37.04	
	PERSONAL	2,298,778,200	6.4	85,146,745	10.4	37.04	
	TOTAL	$36,050,449,100		$819,300,061			
FY98	RESIDENTIAL	$19,549,894,700	57.9	$235,134,674	30.1	$13.47	$453.13
	COMMERCIAL	11,261,165,100	33.4	432,991,798	55.4	38.45	
	INDUSTRIAL	727,628,100	2.2	27,977,300	3.6	38.45	
	PERSONAL	2,224,214,400	6.6	85,521,044	10.9	38.45	
	TOTAL	$33,762,902,300		$781,624,816			

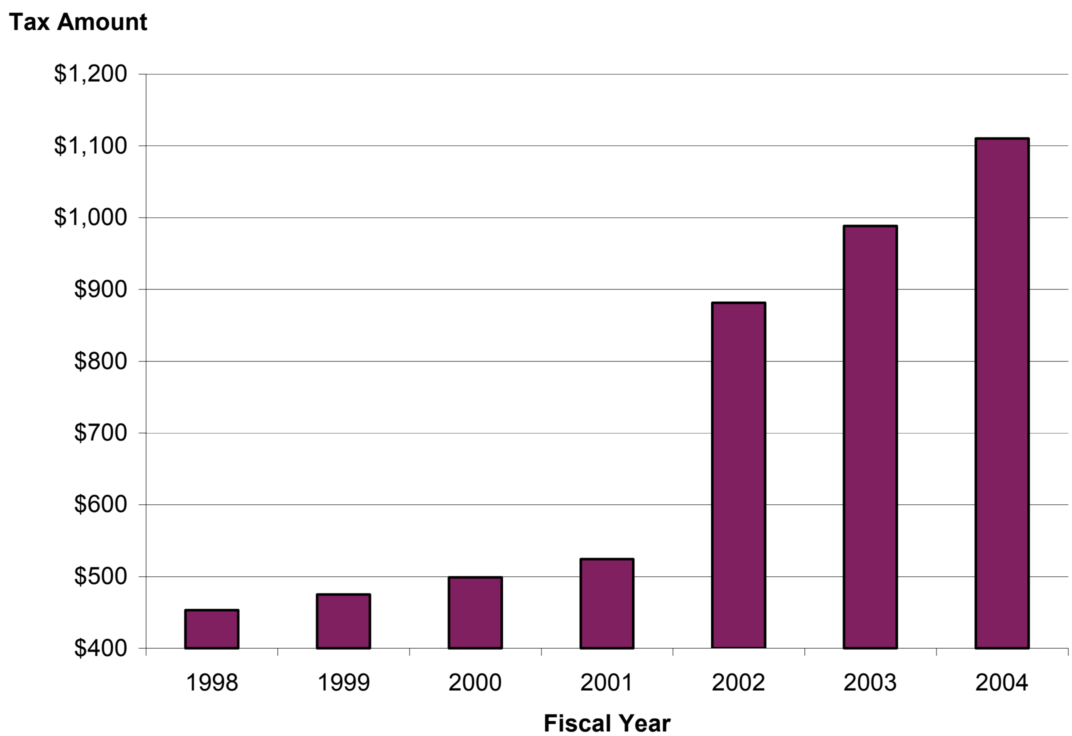
RESIDENTIAL EXEMPTION

The residential exemption is a local option and is adopted by the Mayor with the approval of the City Council. Each year since 1983, Boston homeowners have received the maximum exemption levels and the lowest tax rate allowed by state law.

A residential exemption is the dollar value that is exempt from taxation. To qualify, homeowners must own and occupy the property, and the property must serve as the principal residence as of the assessment date.

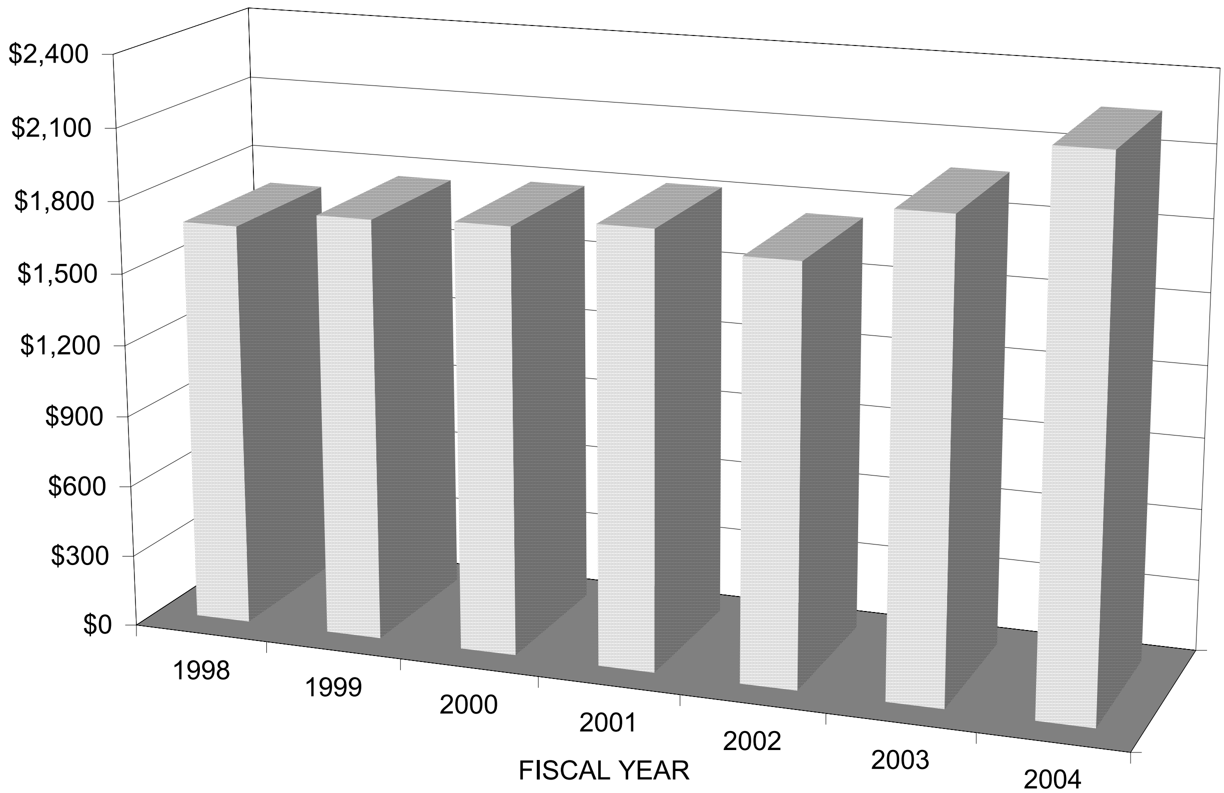
This year’s exemption of $1,110.27 is $122 more than last year’s exemption of $988.15. The Boston average tax bill of $2,257 for a single-family home continues to rate among the lowest for all communities in the greater Boston area, and is well below the statewide average of $3,422.

RESIDENTIAL EXEMPTION
FY 1998 - 2004



- The residential exemption has increased $122, from $988.15 in FY 2003 to $1,110.27 in FY 2004.

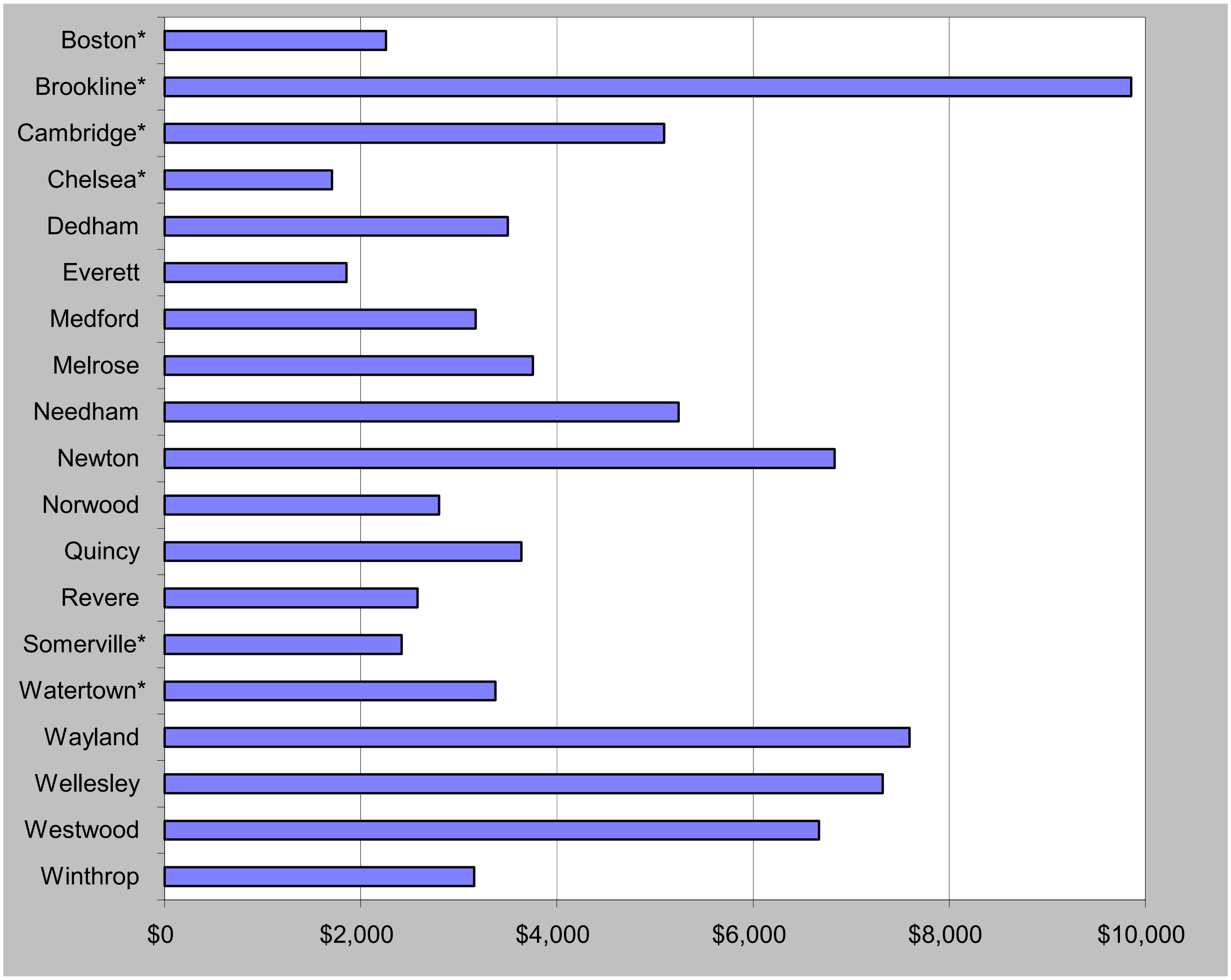
AVERAGE RESIDENTIAL PROPERTY TAX*
FY 1998 - 2004



∗ single-family homes; includes residential exemption.

- The average tax for a residential homeowner increased $285 from $1,972 in FY 2003 to $2,257 in FY 2004.

AVERAGE RESIDENTIAL TAXES, GREATER BOSTON
SINGLE-FAMILY HOMES - FY 2004



*Community provides residential exemption.

- Property taxes for single-family homes in Boston compare favorably to those in neighboring communities.

PERSONAL EXEMPTIONS

A personal exemption releases a taxpayer from an obligation to pay all or a portion of the taxes assessed on a parcel of property, based on specific conditions. The City of Boston extends the maximum benefit allowed by law to those who qualify for the following exemptions under Chapter 50, Section 5 of the Massachusetts General Laws:

Clause 17D	Surviving Spouse; Minor Child of a Deceased Parent; Elderly Persons over the Age of 70
Clause 18	Hardship
Clause 22	Qualified Veteran (with a service-connected disability during the time of war)
Clause 37A	Blind Person
Clause 41A	Tax Deferral (for persons over the age of 65)
Clause 41C	Elderly Person (over the age of 65 who meets certain financial requirements)
Clause 42	Surviving Spouse of a Firefighter or Police Officer killed in the line of duty
Clause 43	Minor Child of a Firefighter or Police Officer killed in the line of duty

In Fiscal Year 1998, the City of Boston adopted sections 12 through 22 of Chapter 88 of the Acts of 1997. For qualifying veterans with service-connected disabilities, these sections increase the annual benefit in all categories by $75.00.

In Fiscal Year 1997, the City of Boston adopted Chapter 181 of the Acts of 1995. Chapter 181 allows communities to adjust the maximum allowable exemption under clause 17D based on changes in the Consumer Price Index.

The Assessing Department personal exemption program features simplified application forms, informational brochures, continuing outreach programs with other city agencies, and multilingual brochures.