Finance Committee Agenda

City of Newton
In City Council

Monday, November 9, 2020

The Finance Committee will hold this meeting as a virtual meeting on Monday, November 9, 2020 at 7:00 pm. To view this meeting using Zoom use this link: https://us02web.zoom.us/j/82016945767 or call 1-646-558-8656 and use the following Meeting ID: 820 1694 5767

Item scheduled for discussions:

Chair's Note: *The following video link was submitted as back-up for item #134-20.* (https://www.youtube.com/watch?v=AL6tzAMvHMs)

#134-20 **Discussion on easing the tax burden on low- and fixed income Newton residents**
COUNCILORS HUMPHREY, RYAN, BOWMAN, MALAKIE, WRIGHT DOWNS, DANBERG AND NOEL requesting a discussion with relevant city staff and a representative of the Massachusetts Department of Local Services to explore possible local tax reforms with the goal of easing the tax burden on low- and fixed-income Newton residents and shifting it to those residents who can comfortably afford to pay a greater share of revenues.

#395-20 **Request for updates on budget and possible reimbursements at Newton Public Schools**
The President of the Council, on behalf of the City Council, requesting updates to the Finance Committee from the Chief Financial Officer regarding budget expenditures and possible reimbursements related to school reopening at each meeting this fall.
Finance Held 5-0 on 10/14/20

Chairs Note: *Chief Financial Officer Maureen Lemieux will provide an update on the expenditure of funds for COVID-19 as related to item #239-20.*

Respectfully submitted,

Rebecca Walker Grossman, Chair

Residential Exemption Fact Sheet 11-9-2020

- Established by Massachusetts General Laws Chapter 59 Section 5C (attached).
- Applies only to Residential Properties.
- Commercial/Industrial/Personal Property Tax **IS NOT** impacted by the Residential Exemption.
- The total tax raised by the residential properties remains unchanged throughout the City.
- There is no ASSET or INCOME limit on who would receive this exemption.
- It would be applied to all owner-occupied residential parcels throughout the City if adopted.
- The total amount of taxes paid by residential properties DOES NOT CHANGE if the "Residential Exemption" is adopted.
- The total amount of taxes paid by the residential properties is "shifted" within the residential classes, meaning no tax is actually "exempted".
- Some residential properties PAY MORE, even if they receive the "Residential Exemption".
- Some residential properties PAY LESS if they receive the "Residential Exemption".
- The average value of all residential properties is calculated (see attached using FY2020).
- The City Council would then set their desired level of the exemption.
- The maximum amount is 35% of average residential value (without special legislation) and cannot go below 10% of their assessed value.
- This 35% value amount would then be "exempted" from all qualifying owner-occupied residential properties. The tax rate would increase from $10.44 to $15.13 (45%) if adopted.
- All Non-Owner-occupied residential properties, including Single Family Properties, Condominiums, Apartments, Multi-Family Properties, Assisted Living Facilities and others would see their tax bills increase by roughly 45%.
- All Owner-occupied residential properties with an assessed value higher than $1,215,900 would see their tax bill increase even after receiving the residential exemption.
- Apartment Buildings would see a 45% increase in their tax bill.
- Assisted Living Facilities would see a 45% increase in their tax bill.
- Community Senior Housing would see a 45% increase in their tax bill.
- Day Care Centers would see a 45% increase in their tax bill.
- Rental Properties would see a 45% increase in their tax bill.
- Second Homes would see a 45% increase in their tax bill.
- Vacant Residential Land would see a 45% increase in their tax bill.

Text of MGL 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. This exemption shall be in addition to any exemptions allowable under section five; provided, however, that in no instance shall the taxable valuation of such property after all applicable exemptions be reduced below ten per cent of its full and fair cash valuation, except through the applicability of clause Eighteenth of section five. Where, under the provisions of section five, the exemption 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. For purposes of this paragraph, ''parcel'' shall mean a unit of real property as defined by the assessors in accordance with the deed for such property and shall include a condominium unit.

In those cities and towns in which an exemption is made available hereunder, a taxpayer aggrieved by the failure to receive such residential exemption may apply for such residential exemption to the assessors, in writing, on a form approved by the commissioner, on or before the deadline for an application for exemption under section 59.

A timely application filed hereunder shall, for the purposes of this chapter, be treated as a timely filed application pursuant to section fifty-nine.

For purposes of this section, with respect to real property owned by a cooperative corporation, as defined in section 4 of chapter 157B, that portion which is occupied by a member pursuant to a proprietary lease as such member's domicile and is used as such member's principal residence for income tax purposes shall be deemed to be real property owned by such member for purposes of this section, provided that the portion of the real estate is represented by the member's share or shares of stock in the cooperative corporation and the percentage of such portion to the whole is the percentage of such member's shares in the cooperative corporation to the total outstanding stock of the corporation, including shares owned by the corporation. Such portion of such real property shall be eligible for exemption from taxation pursuant to this section if such member meets all requirements for such exemption. Any exemption so provided shall reduce the taxable valuation of the real property owned by the cooperative corporation; provided, however, that the reduction in taxes realized thereby shall be credited by the cooperative corporation against the amount of such taxes otherwise payable by or chargeable to such member. Nothing in this paragraph shall be construed to affect the tax status of any manufactured home or mobile home under this chapter, but shall apply to the land on which such manufactured home or mobile home is located if all other requirements of this paragraph are met. This paragraph shall take effect in a city or town upon its acceptance by the city or town.

	Count	Value	35% Value	Occupied%	Exempted	
Single Family	16,953	$20,864,898,500	$6,389,585,700	95.00%	$6,070,106,415	
Condominium	5,235	$3,691,249,600	$1,973,071,500	92.00%	$1,815,225,780	
Miscellaneous	170	$80,770,400	$64,073,000	95.00%	$60,869,350	
Two Family	2,693	$2,444,910,600	$1,014,991,700	75.00%	$761,243,775	
Three Family	273	$278,180,100	$102,893,700	75.00%	$77,170,275	
Apartments	149	$804,950,600	$56,158,100	2.00%	$1,123,162	
Vacant Land	821	$140,343,300	$309,434,900	0.00%	$0	
Mixed Use	231	$260,301,920	$87,063,900	75.00%	$65,297,925	
	26,525	$28,565,605,020			$8,851,036,682	
		$1,076,931	Average Residential Value			
	35%	$376,900	35% of Average Value			
		$298,224,916	Residential Tax Levy			
		$28,565,605,020	Residential Value (no exempt)			
		$10.44	Residential Tax Rate			
		$298,224,916	Taxes			
		$298,224,916	Residential Tax Levy			
		$19,714,568,338	Residential Value (as exempted)			
		$15.13	Residential Tax Rate			
		$298,224,916	Taxes			
		$15.13	Tax Rate (If Granted)			
		$10.44	Tax Rate (Regular)			
		44.90%	Rate Change			

Properties under current methodology (no exemptions)							
Example	**Rate**	**Tax**					
$600,000	$10.44	$6,264					
$700,000	$10.44	$7,308					
$800,000	$10.44	$8,352					
$900,000	$10.44	$9,396					
$1,000,000	$10.44	$10,440					
$1,100,000	$10.44	$11,484					
$1,200,000	$10.44	$12,528					
$1,300,000	$10.44	$13,572					
$1,400,000	$10.44	$14,616					
$1,500,000	$10.44	$15,660					
$1,600,000	$10.44	$16,704					
$1,700,000	$10.44	$17,748					
$1,800,000	$10.44	$18,792					
$1,900,000	$10.44	$19,836					
$2,000,000	$10.44	$20,880					
$2,500,000	$10.44	$26,100					
$3,000,000	$10.44	$31,320					
Currently, a $1,800,000 house pays 3X as much tax as a $600,000 house.							
Properties receiving exemption							
If adopted,	**Exemption**	**New "Value"**	**New Rate**	**New Tax**	**Old Tax**	**Change**	
$600,000	$376,900	$223,100	$15.13	$3,375	$6,264	-$2,889	
$700,000	$376,900	$323,100	$15.13	$4,888	$7,308	-$2,420	
$800,000	$376,900	$423,100	$15.13	$6,400	$8,352	-$1,952	
$900,000	$376,900	$523,100	$15.13	$7,913	$9,396	-$1,483	
$1,000,000	$376,900	$623,100	$15.13	$9,426	$10,440	-$1,014	
$1,100,000	$376,900	$723,100	$15.13	$10,938	$11,484	-$546	
$1,200,000	$376,900	$823,100	$15.13	$12,451	$12,528	-$77	
$1,300,000	$376,900	$923,100	$15.13	$13,964	$13,572	$392	
$1,400,000	$376,900	$1,023,100	$15.13	$15,477	$14,616	$861	
$1,500,000	$376,900	$1,123,100	$15.13	$16,989	$15,660	$1,329	
$1,600,000	$376,900	$1,223,100	$15.13	$18,502	$16,704	$1,798	
$1,700,000	$376,900	$1,323,100	$15.13	$20,015	$17,748	$2,267	
$1,800,000	$376,900	$1,423,100	$15.13	$21,527	$18,792	$2,735	
$1,900,000	$376,900	$1,523,100	$15.13	$23,040	$19,836	$3,204	
$2,000,000	$376,900	$1,623,100	$15.13	$24,553	$20,880	$3,673	
$2,500,000	$376,900	$2,123,100	$15.13	$32,116	$26,100	$6,016	
$3,000,000	$376,900	$2,623,100	$15.13	$39,680	$31,320	$8,360	
Under this scenario, a $1,800,000 house would pay 6.38X as much tax as a $600,000 house							
after they both received the residential exemption.							
Anyone with an assessed value of $1,215,900 would pay more than they currently pay,							
even if they were to receive the residential exemption (approx 7,300 parcels).							
Example of 109 Needham Street (Apartment Building)				**Increase**			
Assessed	$90,722,800	$947,146	$1,372,376	$425,230			