

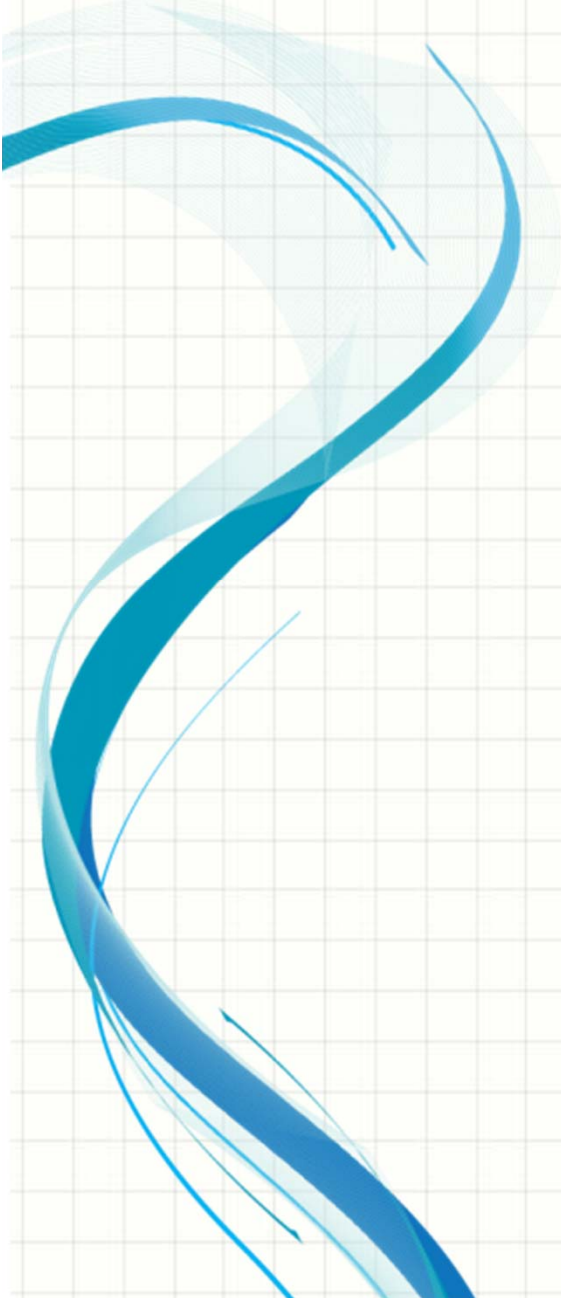


RESIDENTIAL EXEMPTION

Newton Assessing Department
Elizabeth Dromey, Director

What is “The Residential Exemption”?

- Established by Massachusetts General Laws Chapter 59 Section 5C
- Applies only to Residential Properties
- Commercial/Industrial/Personal Property Tax **is not** impacted by the Residential Exemption
- The total tax on the residential properties remains unchanged throughout the City



What does the
“Residential
Exemption”
do?



What does the “Residential Exemption” do?

- If adopted, this would apply to the entire Residential Property population (Commercial Properties are not impacted)
- There is no ASSET limit on who would receive this exemption
- There is no INCOME limit on who would receive this exemption
- It would be applied to all owner-occupied residential parcels throughout the City if adopted



What does the “Residential Exemption” do?

- 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

Residential Exemption Communities

- Barnstable
- Boston
- Brookline
- Cambridge
- Chelsea
- Everett
- Malden
- Nantucket
- Somerset
- Somerville
- Tisbury
- Waltham
- Watertown
- 13 of 351 Cities and Towns have adopted this exemption

How Does the “Residential Exemption” Work?

- The average value of all residential properties is calculated
- The Board of Aldermen would then set their desired level of the exemption
- The maximum amount is 20% of average residential value (without special legislation)
- This 20% value amount would then be “exempted” from all qualifying owner-occupied residential properties

Example

- The average value of all Newton residential properties was \$705,400 in FY2013
- The Board of Aldermen set the level of the exemption to 20% of this average value
- The exemption would then become a \$141,100 value reduction on all qualifying parcels
- Since roughly 20% of the overall residential value is “exempted”, the residential tax rate would increase so the amount of taxes raised by the residential properties would remain the same
- How much does the tax rate increase?

Tax Rate Changes When Residential Exemption is Adopted

Tax Rate without Residential Exemption: $\$211,944,528 / \$18,445,998,977 = \$11.49$

The \$211,944,528 Residential Tax Levy remains the same. If adopted, the residential value is lowered due to “Residential Exemption”


Tax Rate with Residential Exemption: $\$211,944,528 / \$15,324,713,577 = \$13.83$

The tax rate would increase by roughly 20% ($\$13.83 / \11.49) if the “residential exemption” was adopted at the 20% exemption maximum

The residential tax rate would change from \$11.49 to \$13.83

Potential Tax Liability Changes

Home Assessed At	\$500,000	\$600,000	\$834,000	\$1,000,000	\$1,500,000
Current Tax Liability	\$5,745	\$6,894	\$9,583	\$11,490	\$17,235
Owner Occupied Property	\$4,964	\$6,347	\$9,583	\$11,879	\$18,794
Change from current liability	-\$781	-\$547	\$0	\$389	\$1,559
Non-Owner Occupied Property	\$6,915	\$8,298	\$11,534	\$13,830	\$20,745
Change from current liability	\$1,170	\$1,404	\$1,951	\$2,340	\$3,510



Let's now look at some facts and real numbers from the City of Newton (using FY2013 as base)

- 16,126 properties would have a lower tax bill
 - Average decrease would be \$686.61
- 9,763 properties would have a higher tax bill
 - Average increase would be \$1,129.50

More real numbers from the City of Newton (using FY2013 as base)

<u>Tax Impact</u>	<u>Count</u>	<u>Average Change</u>
Decrease more than 50%	319	-\$1,452.10
Decrease 25-50%	1,989	-\$1,215.27
Decrease 15-25%	3,588	-\$958.80
Decrease 10-15%	2,803	-\$744.38
Decrease 5-10%	3,506	-\$526.01
Decrease 0-5%	3,918	-\$209.56
Increase 0-5%	3,080	\$264.57
Increase 5-10%	1,856	\$1,128.95
Increase 10-15%	755	\$2,902.66
Increase more than 15%	4,075	\$1,454.12

Who Will Pay More?

- All Non-Owner occupied residential properties, including Single Family Properties, Apartments, Multi-Family Properties, Assisted Living Facilities and others
- All Vacant Residential Land
- Some Owner occupied residential properties with an assessed value higher than the average residential assessed value

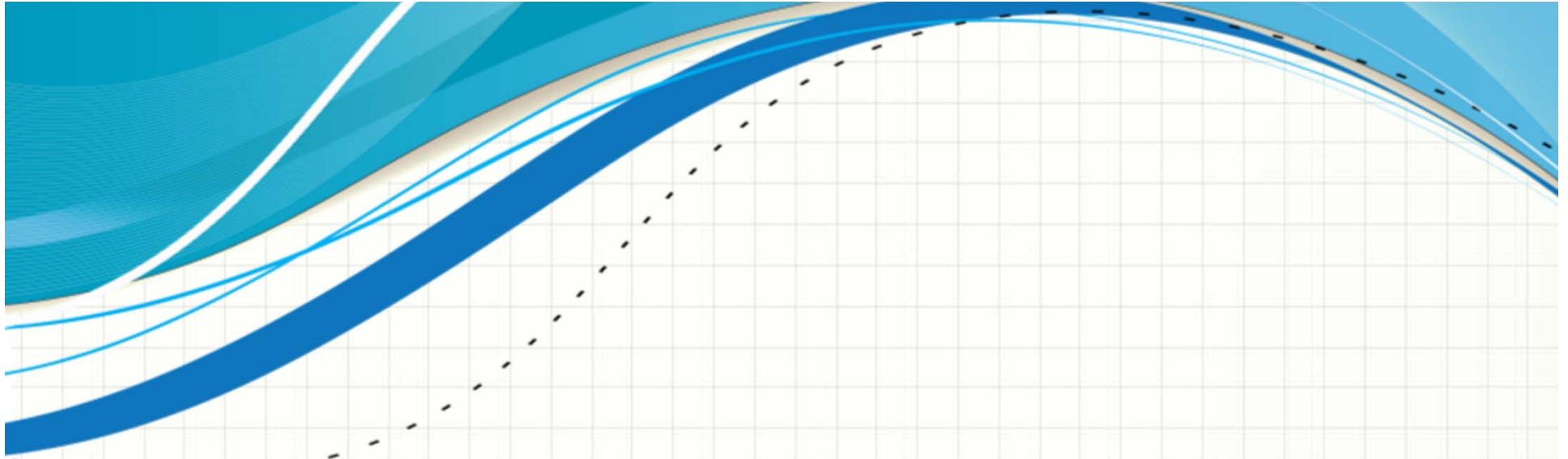


Non-Owner Occupied Properties that would PAY MORE

- Apartment Buildings
- Assisted Living Facilities
- Community Senior Housing
- Day Care Centers
- Rental Properties
- Second Homes
- Vacant Residential Land

Impact on Owner Occupied Properties

- Owner Occupied Residential Properties valued **less than \$834,000** would pay less
- Owner Occupied Residential Properties valued **more than \$834,000** would pay more



QUESTIONS?

Thank You!