

Dear Councilors:

I transmit herewith for your approval a new home rule petition to the General Court, "Petition for a Special Law Re: An Act Relative to Residential Tax Relief in the City of Boston."

Thank you for your leadership over the last year to advance legislation to stabilize tax bills and protect residents from significant property tax increases through multiple rounds of approvals. As you know, the consensus legislation passed twice by the Boston City Council and the MA House of Representatives did not receive a vote before the MA Senate after a single senator exercised a procedural block three times during the legislature's informal session last month. In ending session without a vote on this measure, members of the Senate and business groups walked away from the agreed upon compromise legislation that had been advanced a second time through the Council and House at their direction, suggesting that the final property valuation numbers were not as dire as the worst case scenarios outlined, so residents should absorb the impending tax increases.

Since then, residents across Boston have received their Fiscal Year 2025 third quarter tax bills, reflecting very significant increases. We continue to hear from residents across the city who have been shocked at the jump in taxes they now owe due to the divergence in residential and commercial property values. The taxes for the average single family home receiving a residential exemption increased 10.4%, which is nearly \$575 for the year and a 21% bill-to-bill increase. When expanded to include additional residential property types—not only single family homes but also duplexes, condos, and standalone apartments without commercial components—average annual taxes increased 14.9%, around \$833 for the year, or a 30% bill-to-bill jump.

These averages mask the variation across different neighborhoods and properties, and it has been widely documented that many residential taxpayers received a significantly higher increase due to a combination of regular market value changes and the added impact of the commercial tax responsibility shift that the administration sought to avoid through legislation. While individual value changes vary by neighborhood and individual property, the overall shift of commercial responsibility increases the burden on residents across all residential property types and neighborhoods.

More than 55% of all residential property owners received a bill with an annual increase greater than 9% (or quarter-to-quarter bill jump of more than 18%). Had the compromise legislation been approved by the State Senate last month, this would have been reduced to 21.5% of residential properties with such a significant increase. With these January bills, the average commercial property received a 3.4% reduction in taxes—about \$7,745 dollars less than the previous year. For office buildings, the tax decrease was even larger: a 7% drop.

As our administration reiterated for months, in FY25, the split between residential and commercial taxpayers now puts the burden on residential taxpayers for a 44.07% total share of the property tax levy, up from 41.67% in FY24. This is the single largest year-over-year shift since 2007, and is exactly the dynamic our legislation sought to avoid.

Now that the scale of tax increases is documented and clear, this refiled home rule petition proposes to provide immediate needed relief to residential taxpayers this year through the same compromise tax rate agreed upon after months of negotiations and legislative process, as well as adopting the multiyear rates agreed upon for tax stability over the next two years. Additionally, this legislation has been updated to include new provisions that address specific concerns raised through that legislative process. In sum, this new legislation:

1. Sets the FY25 tax rate to levels which were agreed upon by business groups and previously voted on by the Boston City Council and House of Representatives. This would allow for relief by adjusting the final quarterly property tax bill for the fiscal year in April 2025. The legislation would need to be passed by March 2025 in order to operationalize this measure.
2. Establishes tax classification levels between residential and commercial property in Fiscal Years 2026 and 2027, consistent with the levels that were previously agreed to in the October 2024 compromise legislation, in order to provide future stability for residential and commercial taxpayers through this period of economic transition.
3. As included in earlier compromise legislation, gives the City the authority to appropriate up to \$15 million for any years that the commercial portion of the

levy is greater than the amount currently allowed to offset potential impacts on small businesses due to the shift.

4. Expands property tax relief for low-income seniors by modifying the eligibility criteria for the 41C senior tax relief program, as well as increasing the amount of the exemption. These changes will modernize the dated criteria which has shrunk the pool of eligible applicants in recent years and will provide much needed financial assistance to a group of residents most impacted by property tax increases.
5. As included in earlier compromise legislation, increases the exemption for small businesses on personal property to \$30,000 so any neighborhood business with less than that amount in personal property would not be taxed. This increase would expand the number of small businesses across Boston exempt from personal property tax under this exemption provision from approximately 2,500 to 5,000.
6. In the event the tax rate for Fiscal Year 2025 does not change as outlined above, gives the City of Boston the legal authority to issue some degree of residential tax rebates from surplus funds. The amount of money and the rebate shall be determined by the City of Boston and will be subject to an appropriation reviewed and approved by the Council.

Earlier this month, the City developed a tax calculator so residents can see how much they would have saved if the earlier compromise legislation were in effect. The tax calculator can be found here: [boston.gov/tax-calculator](https://boston.gov/tax-calculator).

I urge your Honorable Body to advance this special act and the consensus incorporated to deliver stability for all Boston taxpayers and excellent City services for all residents and stakeholders.

Sincerely,

Mayor Michelle Wu