



The Commonwealth of Massachusetts

House of Representatives

State House, Boston 02133-1008

**Special Commission on
Property Tax
Classification**

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Senator Cynthia Stone Creem
Co-Chair

Representative Paul C. Casey
Co-Chair

Commissioner Alan LeBovidge
Department of Revenue

President Paul Guzzi,
Greater Boston
Chamber of Commerce

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City of Medford

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**REPORT OF THE SPECIAL COMMISSION ON
PROPERTY TAX CLASSIFICATION**

The Special Commission on Property Tax Classification, established by Section 2 of Chapter 138 of the Acts of 2003, hereby announces that it has filed legislation containing its recommendations to the House Clerk.

The main component of the proposal would allow pertinent municipalities to lower the residential tax burden by requiring business taxpayers to pay a larger share of that burden. The Commission also filed relevant bills that would change the taxation of agricultural land and create a new property tax exemption for smaller businesses.

Under current law, communities that practice so-called "dual classification" or "split-rate" property taxation are allowed to tax residential property owners at a lower rate than they would owners of commercial property. The maximum shift to business that is allowed under the dual classification guidelines is no more than 175 percent higher than if the community employed a single tax rate. Homeowners may not pay less than 50 percent of what they would pay if the community employed a single tax rate (this figure represents the maximum shift from residents).

The Commission recognizes that many cities and towns are already at these statutory limits and are experiencing dramatic increases in their residential tax bills because of soaring residential real estate values.

To mitigate these increases, the Commission is proposing expanded limits for fiscal years 2004, 2005, 2006 and 2007 as follows:

Fiscal Year	Maximum CIP (Commercial, Industrial, Personal) Shift
2004	200%
2005	197%
2006	190%
2007	183%
2008	175%
2009	170%

The increase in the maximum shift will be temporary. The current classification shift limit of 175 percent will be restored in 2008. But, in recognition of the increased burden borne by business during this time frame, the maximum shift of the total levy will be reduced from 175 to 170 in 2009.

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