

# News Release

For Immediate Release

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## MTF Report: Businesses Shoulder Higher Property Tax Burden Under State's "Classification" Law

Despite the state's progress in reducing the overall burden of property taxes in the years since Proposition 2 1/2 was adopted, Massachusetts businesses continue to pay a disproportionate share of the local property tax bill, according to a report released today by the Massachusetts Taxpayers Foundation.

### 1998 Property Taxes Shifted to Business (Relative to Uniform Rates in Each Community)

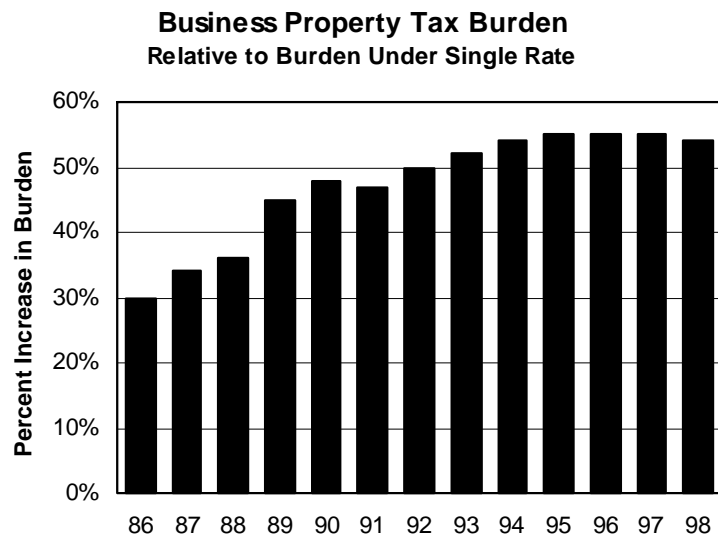
The report—*Unequal Burdens: Property Tax Classification in Massachusetts*—estimates that communities shifted over \$600 million of property taxes from residential to business taxpayers in fiscal 1998. In a troubling trend, the disparity between business and residential tax burdens has roughly doubled in the last decade and a half.

Community Category	Amount (millions)	Percent of Business Property Taxes
All Classified	\$618	30
Boston	217	40
Other (101 comm.)	401	34
Not Classified (239 comm.)	0	0

"The higher property tax burden adds to the already high costs of doing business in the Commonwealth, placing many companies at a further competitive disadvantage," said MTF President Michael J. Widmer.

Under the classification law, communities may set lower property tax rates for residential and open space properties than for commercial, industrial and personal (primarily utility) properties. This shifts a portion of the local tax burden from residences to businesses, while raising the same total amount of property taxes to finance local services.

In fiscal 1998, 102 communities used the classification law to shift property taxes from residential to business taxpayers. Although the classifying communities comprise fewer than a third of the Commonwealth's 351 cities and towns, they account for almost two-thirds of the state's population and encompass most of the state's urban centers and developed suburbs, including all of the larger cities and many towns with significant amounts of business property.



The shift to business property taxpayers in the classifying communities totaled over \$600 million in 1998, almost one-third of the business property tax bill. In Boston, the largest classifying community, the rate of \$38.45 paid by business taxpayers was more than three times the rate paid by residential taxpayers. In the 101 other classifying communities, the average tax rate for business of about \$28 was almost double the rate for residences. In contrast, in the 239 communities that did not classify, businesses and residential taxpayers paid the same tax rates, averaging \$14.60 per \$1,000 of assessed value over all such communities.

According to the report, classifying communities in Massachusetts have significantly increased the business property tax burden since the mid-1980s. Although business' share of the statewide total of assessed property values has fallen from 26 percent in 1986 to 21 percent in 1998, communities have used the classification law to hold business property taxes to about 33 percent of the total tax bill.

Citing available national comparisons, the study also noted that 16 states do not allow a higher tax rate on business properties than on residential properties. In comparing the largest urban areas in each of the 34 states that do allow classification, Massachusetts ranked seventh in the ratio of commercial property tax rates to residential property tax rates and 17th in the ratio of industrial property tax rates to residential tax rates.

The report concludes that while it is unrealistic to expect classifying communities to undertake major changes in the balance between business and residential tax rates in any given year, making small adjustments in the relative rates over several years is more manageable and would have a significant impact over time.

The Massachusetts Taxpayers Foundation is an independent, nonprofit organization which conducts research on state and local taxes, spending and the economy. Founded in 1932, MTF ranks among the largest and most effective organizations of its kind in the country.