

PROPERTY TAX UPDATE

OCTOBER 2014



RICHARD C. ROSSI,
CITY MANAGER

In FY15, 85% of residential taxpayers will receive a property tax bill that is lower, the same as, or only slightly higher (less than \$250) than the previous year. This includes 72% of taxpayers whose bill will either decrease, or increase by less than \$100.

Photo: Cycling on Memorial Drive by Gretchen Ertl

Dear Residents and Taxpayers of Cambridge:

This is the second in a series of three newsletters, which explains your FY15 tax bill and answers some frequently asked questions.

Based on the votes taken by the City Council on September 29, 2014, and approval by the Massachusetts Department of Revenue (DOR), the residential tax rate will be \$7.82 per thousand dollars of value and the commercial tax rate will be \$19.29. These rates reflect a decrease from last year of \$0.56 or -6.68% for residential and \$1.15 or -5.63% for commercial. This is the second consecutive year that the City has reduced tax rates for both residential and commercial taxpayers. For the 10th year in a row, a majority of taxpayers will see a reduction, no change or an increase of less than \$100.

As a result of an extremely strong fiscal year, the City Council was able to appropriate \$12 million in Free Cash to the City Debt Stabilization Fund. The purpose of the Fund is to offset future property tax supported debt service costs for the City's major capital projects, especially in relation to the school reconstruction program. This appropriation will bring the balance in the Fund to \$33 million, and will help stabilize debt service costs supported by property taxes in future years. The FY14 Certified Free Cash balance is \$160.5 million. The City used an additional

\$12.65 million of this to reduce the property tax levy in FY15, for a total use of \$24.65 million.


Overall, continued sound financial management, including controlling budget growth, and planning have enabled the City to limit the growth of residential taxes. The property tax levy increase is modest, but also allows us to provide a wide array of services and invest in our infrastructure.

The Assessing Department is offering neighborhood taxpayer assistance meetings in addition to its normal office hours. Please see the back cover of this brochure for dates, times and locations.

I will be writing to you again at the end of this month to explain what abatements and exemptions are available to you to help reduce your bill. Please visit the City's website to view new online payment options.

I encourage you to read this publication, and to seek out City staff from the departments listed on the back cover with any questions or comments.

Very truly yours,


Richard C. Rossi
City Manager

Property Tax Highlights:

- Property Tax Levy of \$341,445,455 reflects a 3.93% increase from FY14, and is well below the five-year average annual increase of 4.92% and below what was projected in June when the Budget was adopted.
- 10 year average annual property tax levy increase is 4.37%.
- Commercial property owners will pay 65.4% of the property tax levy, while residential owners will pay 34.6%, the same percentage as last year.
- 30% residential exemption reduces your assessed value by \$239,500 and results in tax savings of \$1,873.

Assessment Update

FY15 assessed values are established as of January 1, 2014 based upon market activity that occurred during calendar year 2013, which is the basis for the property assessment calculation. Overall, the total assessed value of taxable property in the City equals \$30.1 billion:

- Residential property values - \$18.5 billion
- Commercial property values- \$10.5 billion
- Personal property values - \$1.1 billion

The increase in total property value reflects both the robust real estate market in Cambridge and the continuation of new residential and commercial construction.

The property tax classification shift has remained similar to prior years, with residential owners paying approximately 35% of the property tax levy and commercial property owners paying 65%. Increases in the residential class which do not

match a similar increase in the commercial class could result in a shift in the amount of taxes paid by each class. The continuation of new commercial development helps to balance the new residential development, allowing the City to maintain one of the lowest residential tax rates in the Commonwealth as well as a favorable commercial tax rate compared to surrounding communities.

To review assessed values of homes in comparison to sales data, visit the City's property database at :

www.cambridgema.gov/propertydatabase

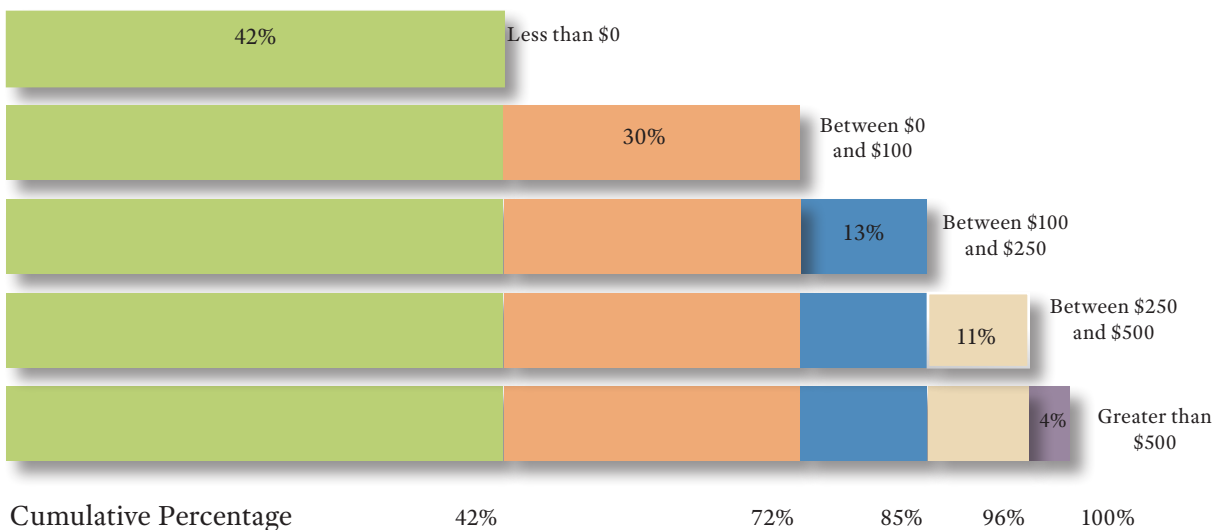
CHANGES IN THE MEDIAN VALUE AND TAX BILL BY PROPERTY CLASS*

	FY14 MEDIAN VALUE	FY14 TAX BILL	FY15 MEDIAN VALUE	FY15 TAX BILL	DOLLAR CHANGE	PERCENT CHANGE
SINGLE FAMILY	\$741,600	\$4,407	\$804,450	\$4,418	\$11	0.25%
CONDOMINIUM	\$389,500	\$1,457	\$427,750	\$1,472	\$15	1.03%
TWO FAMILY	\$690,150	\$3,976	\$790,700	\$4,310	\$334	8.40%
THREE FAMILY	\$786,900	\$4,787	\$884,000	\$5,040	\$253	5.29%

*Includes residential exemption

CITY COUNCIL GOAL: *“Evaluate City expenditures with a view of maintaining a strong fiscal position and awareness of impact on taxpayers while providing a high quality of City services.”*

Change in Residential Tax Bills in FY15



How To Read Your Tax Bill

CITY OF CAMBRIDGE
795 Massachusetts Avenue
Cambridge, MA 02139
Collector of Taxes Louis DePasquale

Fiscal Year
2015

Based on assessments as of January 1, 2014 your REAL ESTATE tax for the Fiscal Year beginning July 1, 2014 and ending June 30, 2015 on the parcel of real estate described below is as follows:

Tax Rate	Residential	Commercial	Industrial
Per \$1000	\$7.82	\$19.29	\$19.29

Property Description and Location			
Parcel ID	40-84	Book/Page	14998/502
Area	3250 sq. ft	Class	101
Location	123 MAIN ST		

Fiscal Year 2015 Real Estate Tax Bill			
Assessed Owner		Bill#	
Smith, John		21845031	
Residential	\$506,970	Real Estate Taxes and Charges	
Commercial		RES TAX	\$3,964.50
Total Taxable Value	\$506,970	COMM TAX	
Residential Exemption	\$239,500	CPA	\$95.48
		Betterment/Liens	
		Special Assessments	
		Exemptions/Deferrals/Abatements	(\$1,929.08)
		Total Due FY2015	\$2,130.90
		1st Payment Due 11/17/2014	\$1,065.45
		2nd Payment Due 5/1/2015	\$1,065.45
		Amount Due 11/17//2014	\$1,065.45

Property Description and Location

- Parcel ID:** This identifies your property on the Assessor's map. When making a payment, please reference the parcel ID on your check.
- Book/Page:** South Middlesex Registry of Deeds' recording reference.
- Location:** The legal address of the assessed property.
- Class:** The state code which identifies the type of property. (e.g. 101:Single Fam, 102:Condo, 104:2-Fam, 105: 3-Fam)
- Area:** Square footage of the parcel.

Real Estate Values

- Residential/Commercial:** The value of your property as of January 1, 2014.
- Total Taxable Value:** The sum of residential and commercial value.
- Residential Exemption:** An exemption granted to property owners who occupy their property as their primary residence. The FY15 exemption is \$239,500.

Assessed Owner

- Assessed Owner:** Person who owned the property as of January 1, 2014.

Real Estate Taxes and Charges

- RES TAX:** Taxes due on residential property. It is calculated by dividing the Total Taxable Value by 1,000 and then multiplying by the residential tax rate.
- COMM TAX:** Taxes due on commercial property.
- CPA:** Community Preservation Act Surcharge. The City's surcharge is 3%, with a \$100,000 exemption for residential property. In the example above the calculation would be: (A) \$506,970-\$100,000=\$406,970
(B)(\$406,970/1000) x7.82x3%=\$95.48
- Betterment/Liens:** Water and sewer charges more than 90 days overdue are added to your tax bill. Full amount is due with first half payment.
- Exemptions/Abatements:** Tax deduction due to abatements and exemptions. The full residential exemption reduces a homeowner's taxes by \$1,872.89 and the CPA by \$56.19. Therefore, the total reduction is \$1,929.08

Abatement applications are due on November 17, 2014.

Download an application at:

www.cambridgema.gov/abatementforms

Frequently Asked Questions

About Your Bill

When should I expect to receive my real estate tax bill?

Real estate tax bills are issued semi-annually. Bills are typically issued and mailed to taxpayers during the months of October and April of each year. Payment of these bills is due 30 days from the date of issue, generally in November and May. If you do not receive a tax bill by November 1st and April 1st of each year, contact the Finance Department.

What will happen if I do not pay my bill by the due date?

If your real estate tax bill is not paid by the bill due date, interest will immediately begin accruing on your real estate tax bill at a rate of 14% and, according to Massachusetts State Law, interest will accrue back to the date of issue.

I live on a limited income, what options are available to reduce my taxes?

Unfortunately, regardless of age or income, all property owners must pay taxes. If you or your spouse are age 65 or older, you may qualify for a tax exemption of up to \$2,000. Exemptions are also available for disabled veterans and for persons who are legally blind. Also, there is an exemption for active duty Massachusetts military members. In cases of extreme hardship, the City may grant a full or partial exemption of taxes. Hardship exemptions are granted on a case-by-case basis, and are usually a one-time exemption. Deferral of taxes may also be an option, depending on your age and income. Information about specific exemptions will be mailed to all taxpayers soon after the tax bills are mailed.

I am a new owner, will the tax bill be sent to me?

Not necessarily. The assessment date is January 1, 2014. The property is legally assessed and billed to the owner as of January 1. The City makes every effort to get new owner address changes into its system; however, sometimes it is several months before the City receives a copy of the new deed. If you do not receive a bill by November 1st, please contact the Finance Department to request a duplicate bill. You are responsible for paying the bill whether you receive it or not.

Am I eligible for a residential exemption?

You are eligible for a residential exemption if you owned and occupied your property as your principal residence as of January 1, 2014. An individual owner may qualify for a residential exemption on only one parcel. If you do not see this exemption on your bill, an application form must be submitted within 90 days of the 1st half bill date. You may obtain the form by calling the Assessing Department or downloading the form from the City's website. You do not need to reapply each year.

The FY15 residential exemption of 30% equates to \$239,500 and will reduce the tax bill for owner occupied homes by \$1,873.

My mailing address has changed. How do I notify the City so that my tax bill is sent to the correct address?

The City's Assessing Department requires a mailing address change form. You may obtain the form by calling the Assessing Department or downloading the form from the City's website.

What is the CPA Surcharge? What is this money used for?

Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001, which resulted in a property tax surcharge of 3%. The adoption of the CPA had a neutral effect on tax bills, and enabled the City to qualify for matching funds from the State. Money raised through the CPA must be used to acquire and maintain open space, preserve historic buildings, and create and maintain affordable housing. The State provides matching funds to communities that have enacted the CPA legislation.

I recently bought a new condominium. The FY15 tax bill is for the entire property. How do I pay only my share ?

Your portion of the tax bill is based on your share of the common interest, which can be found on your unit deed. Speak with the developers to see if they intend to pay the first half and collect payments from individual unit owners. If not, and your mortgage company is collecting an escrow payment for real estate taxes, contact their escrow department to give them the percentage of your common interest. Otherwise, you may request an apportionment letter from the Board of Assessors to determine your portion of real estate taxes owed.

Online Payment Option Update
Now available: Direct debit option with email reminders of when payments are due!

Is tax bill and payment information available online?

Yes. You may view your Real Estate, Personal Property, Motor Excise tax and Water bills online at the City's website. The City also accepts online payments via credit card, debit card or electronic check (ACH), subject to a convenience fee.

Questions on your tax bill or assessment?

Email us at:
Treasurer@cambridgema.gov
Assessor@cambridgema.gov

Frequently Asked Questions

About Your Assessment

How does the City determine the value of my house?

The State requires that the City establish the full and fair cash value of all real estate as of January 1 of each year. To determine FY15 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2013 and December 31, 2013. A computer model is used to calculate property values based on this market activity, as well as certain property-specific attributes such as location, size, type and condition. This is known as the “mass appraisal method.”

What if I own a two or three family house and it has some vacant units, does that impact my property assessment?

Two and three family homes are traditionally purchased as primary residences, not investment real estate; therefore, the comparable sales approach is the most appropriate method to value the property. The sales comparison approach uses similar sales to determine the market value as of January 1st and does not use the income the property generated to determine the assessed value.

Who verifies that the assessing model used by the City and the resulting property values are accurate?

Every January 1st, the City of Cambridge must meet Massachusetts Department of Revenue (DOR) requirements to certify that property values represent full and fair market value. The DOR performs a statistical validation of the City's property values annually, as well as a comprehensive review every three years. This year, the City successfully completed the DOR's interim statistical validation.

Why should I let the City Assessing Department in my house for an inspection?

Interior inspections are an important part of the City's assessment process. Just as a potential buyer of real estate inspects the interior of a home before making an offer, the City can make a better determination of value based upon accurate data using interior inspections. Often the results of the inspection can be beneficial to the taxpayer by correcting data. Examples of data reviewed include: dwelling type, condition, land area, size of the structure, number of bathrooms and fireplaces, and whether attics and basements are finished or unfinished.

Why can't the City just lower property values in order to reduce tax bills?

State law requires the City to assess property at full and fair market value as of January 1 each year. However, lower property values do not necessarily result in lower tax bills. Since a fixed amount of revenue must be raised each year through property taxes in order to fund the budget, lower overall property values would result in a higher tax rate.

What if I disagree with my assessment?

You may file an application for abatement with the Assessing Department. Abatement applications are due on or before the first bill due date. You may obtain an application by calling the Assessing Department or downloading the form from the City's website.

About the City Budget

How much of the City budget is funded through property taxes?

Approximately 66% of the City's budget is funded through property taxes.

What are property taxes used for?

Property taxes are used to fund the City's operating and capital budgets.

What is excess levy capacity?

Excess levy capacity is the difference between what the City actually raises in property taxes and what it could levy under Proposition 2^{1/2}. The City's excess levy capacity in FY15 is \$134 million.

To review the City budget please visit
<http://www.cambridgema.gov/budget>



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NEWSLETTER #2

PRSR STD
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Taxpayer Assistance Schedule:

October 22, 2014: 2pm-4pm

North Cambridge Senior Center, 2050 Massachusetts Avenue

October 28, 2014: 10am-12pm

Main Library, 449 Broadway

October 29, 2014: 10am-12pm

Boudreau Branch Library, 245 Concord Avenue

November 3, 2014: 2pm-4pm

O'Connell Branch Library, 48 Sixth Street

November 5, 2014: 2pm-4pm

Valente Branch Library, 826 Cambridge Street

November 12, 2014: 10am-12pm

Citywide Senior Center, 806 Massachusetts Avenue

November 13, 2014: 10am-12pm

West Cambridge Youth Center, 680 Huron Avenue

Tax Related Questions or Need More Information?

Property Value Information:

Assessing Department - 617 349 4343
www.cambridgema.gov/assess

Tax Bill Information:

Finance Department - 617 349 4220
www.cambridgema.gov/finance

Expenditure/Revenue Information

Budget Office - 617 349 4270

General Information

City Manager's Office - 617 349 4300

Important Dates

October 17, 2014 Tax Bills Mailed

November 17, 2014 Tax Bills & Abatement Applications Due

January 15, 2015 Exemption Applications Due

