

# Property Tax Update

October 2015

*In FY16, 87% of residential taxpayers will receive a property tax bill that is lower, the same as, or only slightly higher (less than \$100) than the previous year.*

Richard C. Rossi, City Manager • Lisa C. Peterson, Deputy City Manager • Louis A. DePasquale, Finance Director

## *Dear Residents and Taxpayers of Cambridge:*

On September 28, 2015, the City Council voted to adopt the following FY16 tax rates:

- FY16 Residential tax rate: \$6.99 per thousand dollars of value – a decrease of \$0.83 (10.6%) from last year.
- FY16 Commercial tax rate: \$17.71 per thousand dollars of value – a decrease of \$1.58 (8.2%) from last year.

These rates have been approved by the Massachusetts Department of Revenue (DOR).

The City has been able to provide stability in your tax bills by controlling budget growth, prudently using reserves, and controlling the tax rate. For the eleventh year in a row, a majority of taxpayers will see a reduction, no change, or an increase of less than \$100. We have been able to achieve this while expanding existing services and adding new initiatives such as extending curbside organics collection, a new STEAM coordination office, and Participatory Budgeting.

The City's ability to control rates has become more and more important as growth in residential values outpaces commercial growth.

This newsletter explains your FY16 tax bill in detail and answers some frequently asked questions. 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.

I will be writing to you again at the end of this month to explain the abatements and exemptions that are available to help reduce your bill. First half bills will be dated October 23. 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.

Very truly yours,

Richard C. Rossi  
City Manager

## *Property Tax Highlights:*

- The Property Tax Levy of \$354,430,753 reflects a 3.8% increase from FY15, and is below the five-year average annual increase of 4.5%.
- The FY16 Adopted Budget increased by 4.1% over the FY15 Adopted Budget. This is higher than the five-year average increase of 3.5%.
- \$11.5 million in Free Cash was used to lower the FY16 Property Tax Levy.
- Another \$8 million in Free Cash was appropriated to the City's Debt Stabilization Fund to help offset future debt service costs. The current five-year debt schedule is projected to be over \$200 million. The multi-year school reconstruction program makes up \$131 million of this total.
- 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.
- The 30% residential exemption reduces your assessed value by \$277,937, resulting in tax savings of \$1,942.78.



Store Front Improvement Program

## Assessment Update

FY16 assessed values are established as of January 1, 2015 based upon market activity that occurred during calendar year 2014, which is the basis for the property assessment calculation. Overall, the total assessed value of taxable property in the City equals \$34.7 billion:

- Residential Property Values - \$21.6 billion
- Commercial Property Values - \$11.9 billion
- Personal Property Values - \$1.2 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, or outpace, the commercial class—could result in a shift in the amount of taxes paid by each. If the growth in the residential class outpaces growth in the commercial class, residential owners would end up bearing a higher portion of any increases in the property tax levy. Therefore, 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. As values continue to grow, the City’s ability to control the tax rate becomes more important in keeping tax bills stable.

To view assessed values of homes in comparison to sales data, visit the City’s property database at [cambridgema.gov/propertydatabase](http://cambridgema.gov/propertydatabase)

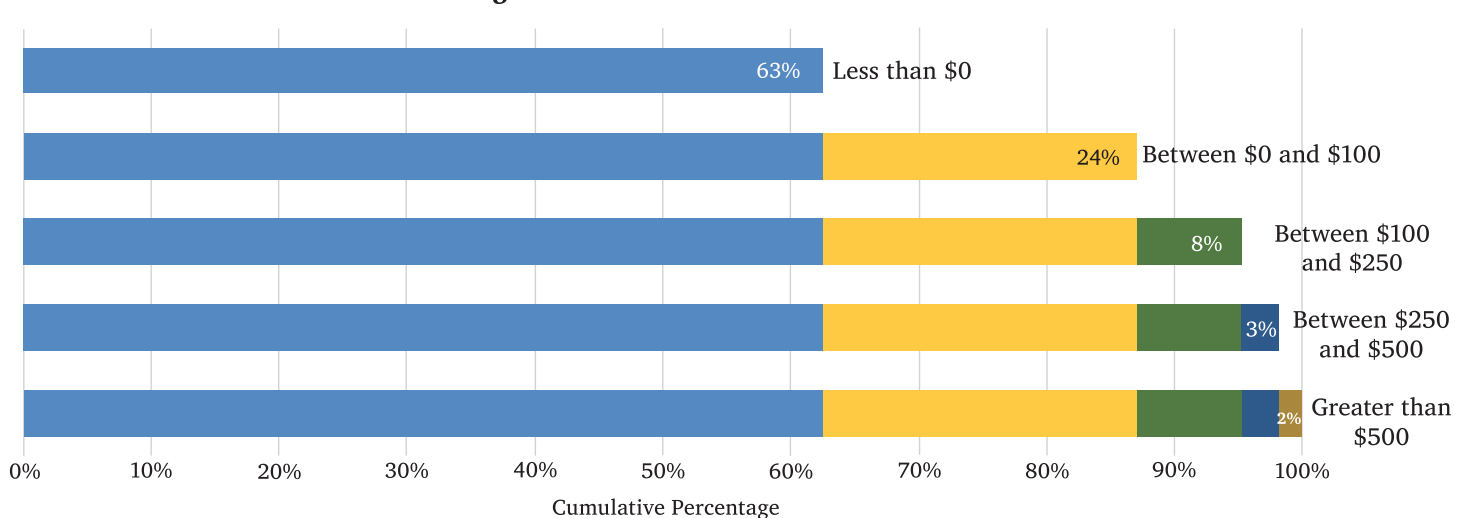
**City Council Goal:** “Evaluate City expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers while providing a high quality array of City services.”

*Changes in the Median Value and Tax Bills by Property Class\**

	FY15 Median Value	FY15 Tax Bill	FY16 Median Value	FY16 Tax Bill	Tax Bill Dollar Change	Tax Bill Percent Change
<b>Condominium</b>	\$427,750	\$1,472	\$485,900	\$1,454	(\$18)	(1.20%)
<b>Single Family</b>	\$804,450	\$4,418	\$919,100	\$4,482	\$64	1.40%
<b>Two Family</b>	\$790,700	\$4,310	\$909,000	\$4,411	\$101	2.30%
<b>Three Family</b>	\$884,000	\$5,040	\$1,030,000	\$5,257	\$217	4.30%

\* Includes residential exemption

*Change in Residential FY16 Tax Bills*



City of Cambridge  
795 Massachusetts Avenue  
Cambridge, MA 02139

**Fiscal Year**  
**2016**

Collector of Taxes: Louis DePasquale

Based on Assessments as of January 1, 2015, your REAL ESTATE tax for the Fiscal Year beginning July 1, 2015 and ending June 30, 2016 on the parcel of real estate described below is as follows:

Tax Rate	Residential	Commercial	Industrial
Per \$1000	\$ 6.99	\$ 17.71	\$ 17.71
Property Description and Location			
Parcel ID 40-84	Book Page 14998/502		
Area 3250 sq. ft	Class	101	
Location 123 MAIN ST			

Fiscal Year 2016 Real Estate Tax Bill			
Assessed Owner		Bill #	
Smith, John		21845031	
Real Estate Taxes and Charges			
Residential	\$ 506,970	RES TAX	\$3,543.72
Commercial		COMM TAX	
Total Taxable Value		CPA	\$ 85.34
Residential Exemption	\$ 277,937	Betterment/Liens Exemptions/Deferrals/Abatements	\$(2,001.06)
Special Assessments		<b>Total Due FY2016</b>	<b>\$ 1,628.00</b>
		1st payment Due 11/23/2015	\$ 814.00
		2nd Payment Due 5/2/2016	\$ 814.00
		<b>Amount Due 11/23/2015</b>	<b>\$ 814.00</b>

## How to Read Your Tax Bills

**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 that identifies the type of property.

**Area:** Square footage of the parcel.

### Real Estate Values

**Residential/Commercial:** The value of your property as of January 1, 2015.

**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 FY16 exemption is \$277,937. This results in a tax savings of \$1,942.78.

### Assessed Owner

**Assessed Owner:** Person who owned the property as of January 1, 2015.

## 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:

$$(A) \$506,970 - \$100,000 = \$406,970$$

$$(B) (\$406,970/1,000) 6.99 \times 3\% = \$85.34$$

**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 \$1,942.78 and the CPA by \$58.28. Therefore, the total reduction is \$2,001.06.

Abatement applications are due November 23, 2015.

Download an application at: [cambridgema.gov/assess/abatementforms](http://cambridgema.gov/assess/abatementforms)

## Questions about your tax bill or assessment?

Email us at:

Treasurer@cambridgema.gov

Assessor@cambridgema.gov



CPA project: Lincoln Way



## 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 1 and April 1 of each year, contact the Finance Department. First half bills will be dated October 23, 2015.

#### ***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 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, persons who are legally blind, and 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, 2015. 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 1, 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, 2015. 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 FY16 residential exemption of 30% equates to \$277,937 and will reduce the tax bill for owner occupied homes by \$1,942.78.

#### ***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. To date, the City has appropriated/reserved a total of \$155.5 million in CPA funds, of which \$47.2 million can be attributed to the State match.

#### ***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.

#### ***I recently bought a new condominium. The FY16 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 will be collecting payments from the 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.



## 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 FY16 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2014 and December 31, 2014. 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 as 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 1 and does not use the income the property generates to determine the assessed value.

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

Every January 1, 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. Download an application at: [cambridgema.gov/abatementsforms](http://cambridgema.gov/abatementsforms)

## About the City Budget

#### ***What are property taxes used for?***

Property taxes are used to fund the City’s operating and capital budgets. Approximately 66% of the City’s budget is funded through property taxes.

#### ***What is excess levy capacity?***

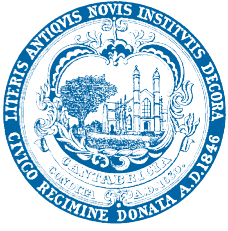
Excess levy capacity is the difference between what the City actually levies and what it could levy under Proposition 2½. The City’s excess levy capacity in FY16 is \$155 million.

#### ***What is Free Cash and how is it used to lower the property tax levy?***

Free Cash reflects the unassigned general fund balances that result when actual revenues collected are greater than expenditures. Free Cash must be certified by the DOR before it can be appropriated. In FY16, the City used \$11,450,000 of its FY15 certified Free Cash to reduce property taxes paid by residential and commercial property owners. An additional \$8 million was appropriated to the City’s Debt Stabilization Fund to help offset future debt service costs.

#### ***How can I find out more about Participatory Budgeting?***

You can find out about Participatory Budgeting at [pb.cambridgema.gov](http://pb.cambridgema.gov) or by calling the City’s Budget Office 617-349-4270. Don’t forget to vote for your favorite projects December 5-12, 2015!



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795 Massachusetts Avenue • Cambridge, MA 02139  
617-349-4300 • [cambridgema.gov](http://cambridgema.gov)  
Newsletter #2

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### *Taxpayer Assistance Schedule:*

Oct. 27, 2015                      10 a.m. – 12 p.m.  
*Main Library, 449 Broadway*

Oct. 28, 2015                      10 a.m. – 12 p.m.  
*Boudreau Branch Library, 245 Concord Ave.*

Nov. 4, 2015                        2 p.m. – 4 p.m.  
*Valente Branch Library, 826 Cambridge St.*

Nov. 10, 2015                     10 a.m. – 12 p.m.  
*Citywide Senior Center, 806 Mass. Ave.*

Nov. 12, 2015                     10 a.m. – 12 p.m.  
*West Cambridge Youth Center, 680 Huron Ave.*

Nov. 18, 2015                     2 p.m. – 4 p.m.  
*North Cambridge Senior Center, 2050 Mass. Ave.*



### *Tax Related Questions or Need More Information?*

*Property Value Information:* Assessing Department  
617-349-4343, [cambridgema.gov/assess](http://cambridgema.gov/assess)

*Tax Bill Information:* Finance Department  
617-349-4220, [cambridgema.gov/finance](http://cambridgema.gov/finance)

*Expenditure/Revenue Information:* Budget Office  
617-349-4270

*General Information:* City Manager's Office  
617-349-4300

### *Important Dates*

October 23, 2015 - Tax Bills Mailed

November 23, 2015 - Tax Bills & Abatement  
Applications Due

January 20, 2016 - Exemption Applications Due

