

Tax-Exempt Property

Cities and towns can't tax all their property owners.

Massachusetts municipalities have few revenue options and rely heavily on the property tax. Statewide, 53 percent of all municipal revenue comes from the property tax, compared to a national average of 28 percent. This dependence on the property tax creates particular challenges in communities where major properties are owned by tax-exempt organizations.

Tax-exempt property owners include the federal and state government, non-profit organizations and educational and religious institutions. Their holdings may include military bases, flood control areas, conservation land, museums and cultural institutions, colleges and universities, hospitals, churches and port facilities. In Boston, Chelsea, and Cambridge, \$44 billion—a quarter of the total assessed property value—belongs to tax-exempt owners, such as universities, hospitals, museums, Massport and the U.S. Navy. Lincoln, the only other MAPC community that exceeds 20 percent, is home to Hanscom Air Force Base and extensive conservation land. Meanwhile, less than 5 percent of the property in Boxborough, Holbrook and Westwood is tax-exempt.

Tax exempt property presents a quandary for the region and many municipalities. A handful of municipalities have instituted voluntary Payment In Lieu of Taxes (PILOT) programs to help pay for basic services such as fire protection, police and snow plowing. Payments vary widely and rarely match the tax levy for comparable properties. As a result, there have been calls to increase PILOT payments. However, most tax exempt properties provide significant benefits to host communities: employment, tourism and quality of life amenities. A more rigorous and transparent approach to PILOT programs could increase equity while also fostering the growth of nonprofit institutions that make the region unique.

Data Source: Massachusetts Department of Revenue, MAPC Analysis

