

## Background on the implementation of Tax Classification:

1961: Mass SJC (Bettigole v. Assessors of Springfield et al. 343 Mass. 223): taxation of real property must be “proportional and reasonable”

- Prohibits the imposition of taxes upon one class of persons or properties at a different rate from that which is applied to other classes.
- An attempt by a municipality to establish separate tax rates for different property classes is deemed unconstitutional

1978: State Constitution is amended allowing municipalities to classify real property into several classes, and to tax each class differently

1978: State requires communities to tax property at “full and fair cash value”

1978: Legislature adopts Tax classification to allow cities and towns to manage the levy share relationship between residential and CI to keep levy shares relatively constant over time

- In establishing split rates, the law does not restrict municipalities to the original legislative intent.
- Municipalities can establish split rates for any reason, or for no reason

1980: Proposition 2.5:

- Requirement to tax at full/fair cash value results in tax burden shift from CI to the residential property class because prior to 1978 residential property assessments were generally significantly below market while commercial property assessments tended to reflect market values

Massachusetts cities and towns typically adopt split tax rates for three reasons:

- To reduce the tax burden on residential tax payers by shifting some of that burden to commercial/industrial properties
- To address commercial/industrial properties’ adverse impact if any on municipal services
- To ensure that the proportional shares of contribution to the tax levy remain constant over time (original Legislative intent)

2004: Mass DOR studies effects of Tax Classification (Tax Classification Report, December 2004, DOR Municipal Data Management and Technical Assistance Bureau)

DOR Summary Opinion:

- Tax classification as a municipally-managed policy is firmly entrenched in Massachusetts
- Very few municipalities adopt classification for the original legislative intent
- Very few municipalities adopt classification to address an identified or perceived negative impact on municipal services
- Most municipalities adopt classification for the politically expedient outcome of keeping the residential tax burden low.
- Authorizing ever-increasing shifts to the commercial/industrial property classes is not good public policy and, at some point, raises constitutional issues.

- Though not the primary factor when businesses make locational decisions, higher commercial/industrial taxes also serve as an impediment to attracting and retaining business in certain communities.