



# Understanding your Taxes

October  
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The City's Operating and Capital budgets, property valuations, and property classifications are key factors in determining property tax bills.

Property values are established independent of the Budget and classifications and must be certified by the state Department of Revenue. Property tax classification allows municipalities to tax commercial taxpayers at a higher rate than residential taxpayers, up to certain limits, based on State law.

While the City generally has no control over changes in property values, it does have more direct control over the amount of property tax levied each fiscal year.

The proposed FY26 Budget was submitted to the City Council on April 28, 2025. Public hearings with the Finance Committee took place before City Council in May 2025. In response to City Council feedback the budget was amended to include an additional \$1 million to support municipal housing vouchers.

The Adopted FY26 Operating (\$992.2 million) and Capital (\$151.1 million) Budgets reflect strong and continued commitment to priorities such as affordable housing, early childhood education, school infrastructure, transportation safety, and sustainability, while also meeting important fiscal targets set in fall 2024 to moderate budget growth.

Moderating budget growth is increasingly important due to factors such as a challenging macroeconomic environment, a potential shift of the tax burden from commercial properties to residential properties, and projected impacts on our future fiscal strength and flexibility.

The FY26 Adopted Operating Budget of \$992,181,320 is an increase of \$36,596,970 or 3.8% over the FY25 Budget. This is lower than both the 5-year average increase of 6.8% and the 10-year average increase of 6.2%.

At the time of budget adoption, the projected property tax levy needed to support the FY26 Budget was \$678.7 million an increase of \$50.3 million, or 8%, from the FY25 property tax levy.



## Dear Cambridge Residents and Taxpayers:

This newsletter is intended to provide an overview of how the City raises and uses property taxes and includes information on how property is taxed; State law; the City's largest taxpayers; other revenues; and important dates and contact information.

There will be another newsletter in a few weeks which will explain the residential and commercial tax rates for FY26, information about your tax bill, as well as available exemptions and deferrals.

I look forward to continuing to work closely with City leadership, staff, City Council and the community on how to best address our priorities, continue to be a leader, and face our challenges together.

Sincerely,

Yi-An Huang, City Manager



The FY26 Operating Budget increased by **3.8%** over the FY25 Adopted Budget.



The average increase in the City Budget over the last 10 years has been **6.2%**.



Projected tax levy to support the FY26 Adopted Budget is **\$678.7 million**, which is an **8%** increase from the previous year.



There has been an **8.2%** increase in the water rate and a **6.5%** increase in the sewer rate, resulting in a **6.9%** increase in the combined rate.



The FY26 Capital (Public Investment) Budget is **\$151,140,770** includes property tax support of **\$4,065,000**.

# FY26 Operating Budget: \$992M

The City of Cambridge's FY26 Adopted Budget provides the funding plan for all City departments from July 1, 2025, through June 30, 2026. Every year, the budget outlines the allocations that ensure City departments continue to provide high quality services to the Cambridge community city-wide.

Take a look at how the FY26 Operating Budget is broken down into different categories by function to understand how they impact some of the City services residents interact with everyday!

## **Education:** \$280.2M, 28.2%

Education is the part of the budget allocated to funding all the Cambridge Public Schools. This is the largest expenditure category in the FY26 Budget. More information on the School Budget can be found at [www.cpsd.us/budget](http://www.cpsd.us/budget).

## **Community Maintenance & Development:** \$227.9M, 23.0%

Community Maintenance and Development includes the budgets for the Department of Public Works, the Community Development Department, the Water Department, and more. From managing affordable housing projects, to street maintenance, from curbside waste pickup to planting trees across the City, and so much more, this section of the budget supports many of the daily City operations residents depend on everyday.

## **General Government:** \$186.1M, 18.8%

General Government includes departments that are central to the day-to-day functionalities of local government. This category includes the budgets for the office of the City Clerk, the City Manager's Office, the Finance Department, Law Department, and more.

## **Public Safety:** \$136.5M, 13.8%

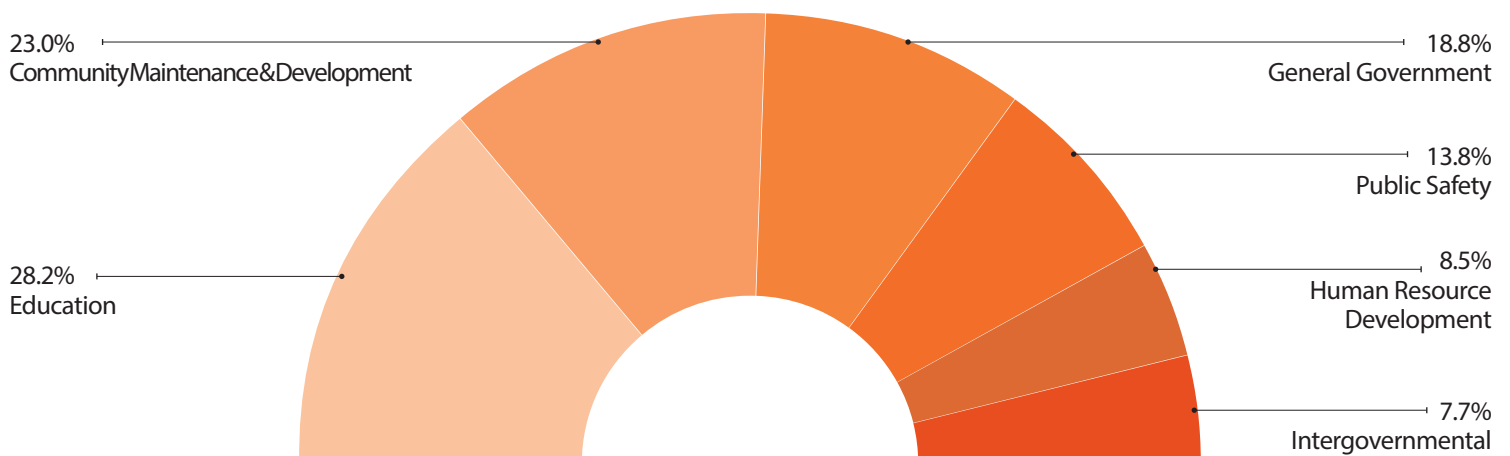
The Public Safety budget provides funding for all the City's public safety departments, including the Fire Department, Police Department, Community Safety Department, and the Department of Transportation. Public safety department budgets support the continued safety of our City, from enforcing traffic safety, rescuing wild animals, issuing licenses, to staffing our 24/7 emergency communications and more.

## **Human Resource Development:** \$84.7M, 8.5%

The Human Resource Development budget includes funding for departments such as the Department of Human Service Programs, the Human Rights Commission, and all the Cambridge Public Library branches. This funding supports investments in our residents and human capital including, but not limited to, things like afterschool programming for youth, the circulation of over 1.8 million library items in a year, and more.

## **Intergovernmental:** \$76.7M, 7.7%

Intergovernmental revenue includes payments to other governmental entities that the City collaborates with. This includes payments to the state for charges for public transportation, air pollution control, and education costs. Payments to the Massachusetts Water Resources Authority and a contract with the Cambridge Health Alliance are also included for their partnership and services provided to the City of Cambridge.



# FY26 Public Investment: \$151M

In addition to the services provided by City Departments funded by the operating budget, the City budgets for investments in important capital, or long-term infrastructure improvements for the City. These types of projects include major building renovations, roadway reconstruction, or significant sewer projects.

Funding for FY26 Public Investment Budget comes from a variety of sources including: bond proceeds, property taxes, services charges, and parking fund revenues. Of the \$151.1M in the FY26 Capital Budget, \$4.1M is funded through FY26 property taxes, with the remainder primarily funded through bond proceeds, service charges, and other forms of revenue. Take a look at some of the major public investment projects included in the FY26 Public Investment Budget.

## **Municipal Facilities and Improvements: \$11,100,000**

In FY26, improvements and upgrades are planned for various municipal buildings including provided needed renovations to the Moses Youth Center, Public Works facilities, fire stations, and libraries. These improvements will be funded through bond proceeds.



## **Participatory Budgeting Cycle 11 Projects: \$1,060,000**

FY26 funding will go to seven different projects that were voted on by Cambridge residents. PB projects will be funded through property taxes.



## **Information Technology (IT) Initiatives: \$2,967,000**

FY26 funding for IT initiatives will go towards supporting the technical infrastructure of the City and Public Safety network, upgraded management programs for CPS and the Human Resources department, digital records management, City security systems, and a GIS flyover of the entire city to maintain up to date geographical data. These projects will be funded through property taxes and Free Cash.

## **Water Infrastructure Improvements: \$19,702,385**

Water infrastructure projects for FY26 include lead service line removals, construction for the replacement of aging water mains, and additional upgrades and replacements for water treatment equipment. These projects will be funded through water bond proceeds and water service charges.

## **Sewer/Stormwater Improvements: \$38,000,000**

Sewer and stormwater improvements to many of the City's over a century old drainage systems have been ongoing for the past 25 years. Work continues into FY26 with improvements planned for general repairs of older pipes, remedial construction, and additional design work for future improvements. These projects will be funded through sewer bond proceeds and sewer service charges.

## **Public Works Complete Streets: \$21,892,530**

The Department of Public Works will continue its Complete Streets work in FY26. The Complete Streets work includes the reconstruction of streets and sidewalks in poor condition. Improvements will be funded through bond proceeds, departmental revenue, and other sources.

## **Parks and Open Space Projects: \$13,285,000**

In FY26, funding is allocated to support ongoing improvements at Danehy Park, the Fresh Pond Golf Course, and general park restoration. In addition, funds are also budgeted for improvements at Ahern Field and design work at Wilder Lee Park. Funds are also budgeted for the Urban Forestry Program and replacement snow clearing equipment. These projects will be funded through bond proceeds, departmental revenue, property taxes, and Free Cash.

## 26 Consecutive Years of AAA Bond Rating.

Sound financial management has translated into AAA bond ratings, the highest rating possible, from all three major credit rating agencies Fitch, Moody's and Standard & Poor's, for a 26th consecutive year. Cambridge is one of 22 cities in the United States with three AAA ratings, allowing us to receive significantly lower interest rates on our bonds, resulting in lower financial costs. The City's bond sale on March 5, 2025, resulted in a True Interest Cost of 2.96%.

## Community Preservation Act (CPA)

The CPA was created by state law to help cities and towns preserve the character of their community. In 2001, Cambridge residents voted to adopt the CPA locally, which allowed the City to implement at 3% surcharge on Property Tax bills. Money raised through the CPA must be used to acquire and improve open space, preserve historic buildings/monuments, and create and maintain affordable housing.

The Commonwealth of Massachusetts provides matching funds in addition to those raised locally by the surcharge.

In FY26, the CPA local appropriation is \$19.7M, with a state match of \$2.8M. Through FY26, the City has appropriated/reserved a total of \$324.2 million for CPA projects, including \$259.5 million for affordable housing initiatives. To date, the City has allocated \$72.5 million in state matching funds, \$209.2 million from local surcharges, and \$45.5 million from the CPA Fund Balance.

## How Does the CPA Impact Property Taxes?

The CPA appears as a 3% surcharge on the tax bills of Cambridge property owners/taxpayers. There is a \$100,000 exemption for residential property.

More information on Cambridge's CPA process can be found at [www.cambridgema.gov/cpa](http://www.cambridgema.gov/cpa).



• 116 Norfolk Street is a recently completed redevelopment through the Affordable Housing Overlay. The project received CPA funding through the Affordable Housing Trust.



## Why Do we Sell Bonds?

The city sells bonds to minimize the tax impact of major capital projects such as the Elementary School Reconstruction program, major infrastructure projects, and municipal facilities improvements on residents.

Bonded projects are expected to last for years of use after construction. Using bond proceeds as a funding source ensures that the cost to pay for these projects are spread over time and do not disproportionately affect current taxpayers. For example, a future property owner in Cambridge might send students to a renovated school, enjoy the benefits of a renovated park, and utilize renovated sewer systems, all of which are typically funded through bond proceeds. While this property owner was not here when the projects were completed, their property tax dollars would still contribute to paying off the debt for long-lasting projects that they enjoy the services of.



## How Do Bonds Impact Property Taxes?

The City's bonds directly impact the operating budget through Debt Service, which is the annual budget allocated to cover the principal payments on the City's existing maturing bonded debt, the interest on bonds, and the fees associated with the City's bond sales.

# FY26 City Revenue Sources

The City of Cambridge must balance its budget every year, meaning its expenses to provide City services must equal its annual revenue.

While property taxes are the most significant revenue source for City services, the City continues its policy of maximizing non-property tax revenue to lower residents' tax burden through enforcing license and permit policies and charging users for specific services where feasible. Take a look at how the City's FY26 revenue is broken down to understand how City services are funded.

## 71.8% = \$712.3M / Taxes

In total, property and non-property taxes are the City's most significant revenue source. Property taxes support most of the services provided by the City, like park maintenance, public safety, garbage collection, education, and much more. The City also collects some tax revenue in ways other than property tax. Massachusetts law requires residents who own and/or register a motor vehicle to pay a motor vehicle excise tax each year. State law sets the motor vehicle excise tax rate at \$25 per \$1,000 valuation. Valuations are determined by the Massachusetts Registry of Motor Vehicles using a statutory formula. The City also charges a cannabis excise tax, a meals excise tax, and a hotel/motel excise tax, which are also supported by visitors to the City who purchase items in these categories as well.

The City receives revenue from non-taxable property owners in the form of a Payment in Lieu of Taxes (PILOT). Harvard University and the Massachusetts Institute of Technology (MIT) are the City's major in-lieu-of-tax payers for their non-taxable properties.

## 10.6% = \$105.1M / Charges for Services

Charges for services are expenses for the direct use of different City services. This revenue ensures that the costs of providing specific services are paid by users that directly benefit from them, including tax-exempt institutions. These charges are designed to directly cover the costs of providing services. For example, the fees for youth programs and recreational memberships are used to cover the costs of staffing, custodial services, and other expenses for use. Water and Sewer Service charges are the most significant charges for services, and they cover the costs of providing water to properties in Cambridge and fund many of the significant sewer improvement projects ongoing throughout the City.

## 6.4% = \$63.4M / Intergovernmental Revenue

Intergovernmental Revenue is revenue coming from other governmental organizations. It includes Federal and State grants, other governmental revenues, and state aid revenue. Some examples include the state's Cherry Sheet allocation, which includes direct aid, local aid, and specific reimbursements and distributions, and federal funds received from the Community Development Block Grant.

## 6.3% = \$62.8M / Miscellaneous Revenue

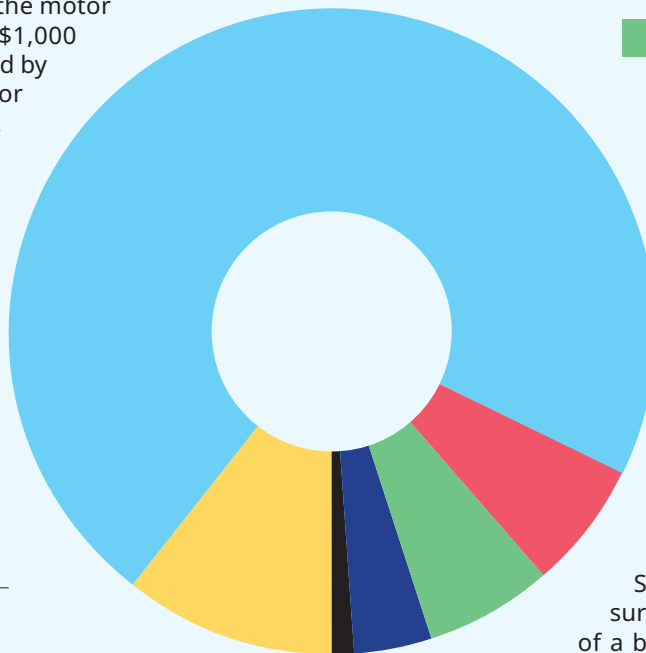
Miscellaneous revenue includes some of the other forms of revenue that cannot be categorized into the previously described accounting designations. Interest earnings on investments and transfers from non-operating budget funds and reserves comprise the bulk of the revenues in this category.

## 3.9% = \$38.9M / Licenses and Permits

Licenses and permits are related to the enforcement of laws, regulation, and registration of related activities. Some examples of licenses include ensuring the safe and compliant operation of a business, dumpster licenses ensuring compliance in waste management, as well as marriage and dog licenses. Permits can include things like fire permits ensuring compliance with building code, street obstruction permits for temporary use of public streets, and more. Building permits have typically comprised the most significant source of permit revenue due to construction projects in recent years.

## 1% = \$9.5M / Fines and Forfeits

Fines and Forfeits are penalties for violations of the City's municipal code and are designed to discourage violations of the City's law, ordinances, and regulations.



# How Property is Taxed

Property taxes are the most significant source of revenue for the City of Cambridge, as they are for many other Massachusetts municipalities. Three major factors are responsible for calculating your tax bill:



The City's **Operating** and **Capital Budget**

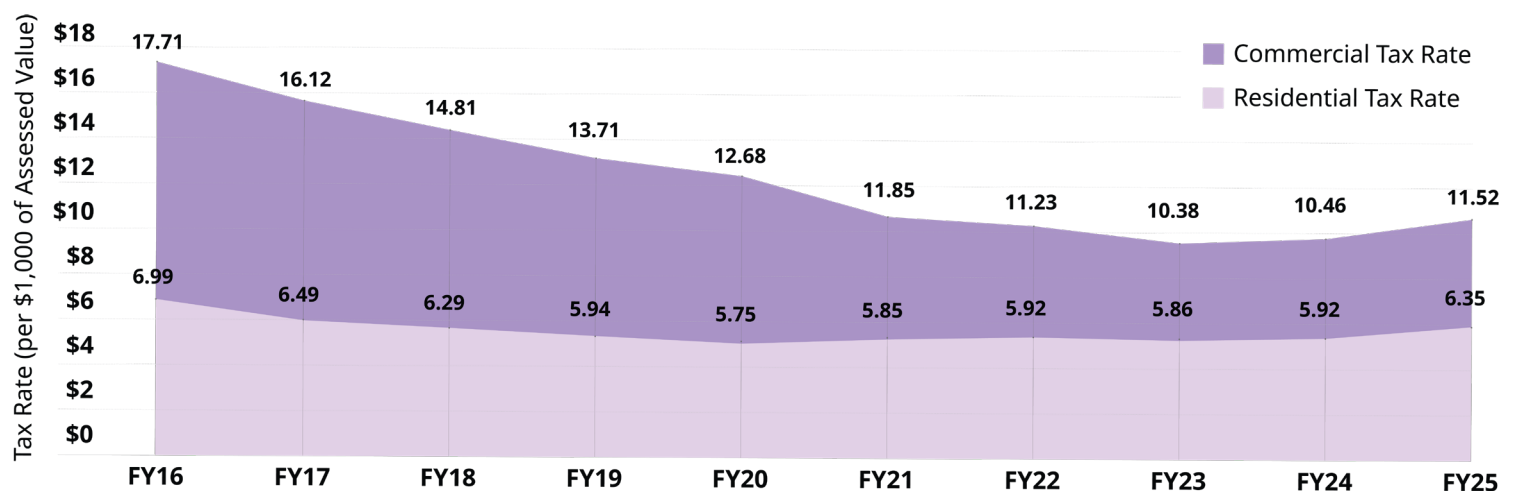


Commercial and Residential Property **Tax Classifications**



**Property Values (Assessment)** – FY26 values are established as of January 1, 2025, based on market activity during calendar year 2024.

## Cambridge Commercial and Residential Tax Rates FY16-FY25



## Commercial and Residential Property Tax Classifications

The City of Cambridge operates under a **property tax classification** system. This allows us to charge different rates for property based on use. Each year, the Board of Assessors classifies all real property according to use: **Commercial Property, Industrial Property, Personal Property (e.g. business furnishings, tools and equipment), and Residential Property.**

Cambridge takes advantage of Massachusetts property classification laws to decrease the tax burden on residential property owners to the fullest extent allowed. Commercial property owners have traditionally paid approximately 66%, or two-thirds, of total property taxes, while residential property owners paid 34%.

In FY25, residential property comprised approximately 52.6% of the City's total assessed value, but residential property owners only paid 34% of total property taxes. Preliminary projections for FY26 indicate that commercial property owners will pay a similar portion of the tax levy as they have in previous years. The commercial and residential property tax rates for FY26 will be set in October 2025.

## Assessed Property Values

Your tax bill is calculated by dividing your Total Taxable Value (Assessed value) by 1,000 and then multiplying by the residential tax rate. **Property values are determined independently of the City Budget and Property Tax Classification.**

| Cambridge residential tax rate continues to be one of the lowest in the Commonwealth |                             |                                |                                  |
|--|-----------------------------|--------------------------------|----------------------------------|
| Community  | FY25 Tax Rate (per \$1,000) | Tax Bill \$750,000 Home (est.) | Tax Bill \$1,250,000 Home (est.) |
| Cambridge*   | \$6.35                      | \$1,592.50                     | \$4,767.50                       |
| Brookline*   | \$9.87                      | \$3,982.19                     | \$8,917.19                       |
| Arlington  | \$10.77                     | \$8,077.50                     | \$13,462.50                      |
| Somerville*  | \$10.91                     | \$3,854.50                     | \$9,309.50                       |
| Belmont  | \$11.39                     | \$8,542.50                     | \$14,237.50                      |
| Boston*  | \$11.58                     | \$4,700.79                     | \$10,490.79                      |
| Watertown*   | \$11.68                     | \$5,052.09                     | \$10,892.09                      |

\*Includes residential exemption for owner occupied homes. The residential exemption has not been adopted by all communities.

| Top Ten Taxpayers in FY25                 |                    |                         |                      |               |
|---|--------------------|-------------------------|----------------------|---------------|
| Property Owner                            | Nature of Business | Assessed Valuation      | Real Property Taxes  | % of Tax Levy |
| Mass. Institute of Technology             | Education*         | \$9,173,970,500         | \$102,129,612        | 14.1%         |
| Alexandria Real Estate                    | Commercial         | \$4,246,918,400         | \$48,910,049         | 6.9%          |
| BioMed Realty Trust                       | Commercial         | \$2,732,675,800         | \$29,396,292         | 3.9%          |
| Boston Properties                         | Commercial         | \$2,549,138,075         | \$28,356,693         | 3.8%          |
| DivcoWest                                 | Commercial         | \$1,893,371,000         | \$17,485,924         | 2.7%          |
| Healthpeak                                | Commercial         | \$1,325,197,500         | \$15,266,725         | 2.3%          |
| MBA-Rogers Street, LLC                    | Commercial         | \$866,726,900           | \$9,893,685          | 1.5%          |
| Presidents and Fellows of Harvard College | Education*         | \$820,355,800           | \$6,984,422          | 1.1%          |
| RREEF American Reit II Corp               | Commercial         | \$569,352,700           | \$6,558,943          | 1.1%          |
| Novartis Pharmaceuticals                  | Commercial         | \$503,610,000           | \$5,801,587          | 0.9%          |
|   | Total              | <b>\$24,681,316,675</b> | <b>\$270,783,932</b> | <b>38.3%</b>  |

**\*Note:** Assessed valuation may include both commercial and residential property, which are taxed at different rates. Does not include payments in lieu of taxes. Source: City of Cambridge, Assessing Department

The Massachusetts Department of Revenue (DOR) requires that all property be assessed annually, using approved mass appraisal techniques, at 100% of full and fair cash value. Individual assessments may rise, or fall, based upon market activities for similar properties and capital improvements. Fiscal year assessments are property values as of the previous January 1st. **Therefore, FY26 property tax bills are based on the assessed value as of January 1, 2025, using calendar 2024 market activity.**

### Residential Exemptions

The City offers a residential exemption program with a discount equal to 30% of the average residential assessed value. In FY25, the residential exemption reduced owner-occupied residential property assessed value by \$499,263, which equals \$3,170 in reduced real estate taxes.

To receive the residential exemption, homeowners must provide a Massachusetts tax return showing that they occupy their property as their primary residence as of January 1, 2025. The Assessors conduct random audits and respond to inquiries about individuals claiming residential exemptions to ensure the integrity of the program.

For information on how to sign up for the exemption program or report concerns, please visit:  
 🌐 [www.cambridgema.gov/assessor](http://www.cambridgema.gov/assessor) or contact the Assessor's Office at 617-349-4343.

### What is Proposition 2 ½?

Proposition 2 ½ is a Massachusetts law voted on and enacted in 1980. The law limits the amount of property tax revenue (the tax levy) that a municipality can raise through real and personal property taxes through two limits:

1. Overall Limit (Levy Ceiling): Property taxes can't be more than **2.5% of the total property value** in the community.
2. Annual Limit (Levy Limit): Each year, property tax revenue can only go up by **2.5%** from the previous year, plus any taxes from new buildings or improvements (New Growth).

**Proposition 2½ does not limit the amount by which an individual tax bill may change year-to-year.** The levy ceiling and levy limit place caps on the increase in total property tax dollars collected for all properties in the city combined.

### Excess Levy Capacity

Excess levy capacity is the difference between the amount the City raises in taxes (tax levy) and the amount it is able to raise in taxes based on Proposition 2 1/2 (levy limit). Due to significant new growth and development in the City in past years, the levy limit has grown at a higher rate than the tax levy, allowing the City to increase its excess levy capacity. Maintaining excess levy capacity provides the City the flexibility to raise taxes without reaching the levy limit. This is an important source of financial flexibility.

With changing market conditions, we anticipate slowing rates of new growth, meaning we do not expect our levy limit to continue to grow as it has historically. We will closely monitor the macroeconomic environment and carefully manage budget growth and growth in the tax levy, to maintain our excess levy capacity.

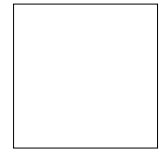
| FY25 Commercial Tax Rates (per \$1,000)<br>for Communities with Split Rates |                |            |                |
|---|----------------|------------|----------------|
| Cambridge   | <b>\$11.52</b> | Waltham    | <b>\$21.04</b> |
| Brookline   | <b>\$16.56</b> | Watertown  | <b>\$22.83</b> |
| Medford   | <b>\$16.94</b> | Lexington  | <b>\$24.26</b> |
| Newton  | <b>\$18.34</b> | Framingham | <b>\$24.28</b> |
| Somerville  | <b>\$18.92</b> | Burlington | <b>\$25.47</b> |
| Needham   | <b>\$20.91</b> | Boston     | <b>\$25.96</b> |



# Understanding your Taxes

A publication of the Office of the City Manager  
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## Tax Related Questions or Need More Information?

### Property Value Information:

Assessing Department, 617-349-4343

### Tax Bill Information:

Finance Department, 617-349-4220

### Fiscal Year 2026 Adopted Budget:

Budget Office, 617-349-4270

### General Information:

City Manager's Office, 617-349-4300



### Important Meeting Dates

October 20, 2025

City Council votes on classifications as part of the tax rate process

### Upcoming Mailings

October 2025

FY26 Tax Bills Mailed

Property Tax Update Newsletter

### November 2025

Community Q&A meetings

City Manager:  
Yi-An Huang

Cambridge City Council:  
Mayor E. Denise Simmons  
Vice Mayor Marc C. McGovern  
Councillor Jivan Sobrinho-Wheeler

Councillor Burhan Azeem  
Councillor Patricia M. Nolan  
Councillor Sumbul Siddiqui  
Councillor Paul F. Toner

Councillor Ayesha M. Wilson  
Councillor Catherine Zusy