

October 2020

Louis A. DePasquale, City Manager • Lisa C. Peterson, Deputy City Manager • David J. Kale, Finance Director

Dear Residents and Taxpayers of Cambridge:

This is the second in a series of three newsletters regarding property taxes. As noted in the first newsletter, due the COVID-19 pandemic, there was a significant level of uncertainty at the time the FY21 Budget was adopted in June. In addition, several key non-property tax revenues are projected to be significantly lower than budgeted in FY21.

In FY21, 59% 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.”

I am pleased to report that despite the fiscal challenges related to the COVID-19 pandemic, we have offset projected FY21 revenue shortfalls in certain categories through limited, strategic use of Free Cash, fund balances, and other reserves, and will again be able to provide a majority of the residential taxpayers (59%) a reduction, no increase, or an increase of less than \$100 in their FY21 property tax bill. In FY21 there is also an increased residential exemption, and a reduced commercial property tax rate.

On October 5, 2020, the City Council voted the following FY21 tax rates:

- FY21 Residential tax rate: \$5.85 per thousand dollars of value – an increase of \$0.10 (1.7%) from last year.
- FY21 Commercial tax rate: \$11.85 per thousand dollars of value – a decrease of \$0.83 (6.5%) from last year.

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

For the sixteenth year in a row a majority of residential taxpayers will see a reduction, no change, or an increase of less than \$100 in their tax bill. For FY21 this percentage will be 59%, and 77% of residential taxpayers will see an average increase of less than \$250.

Over the past ten years an average of 69.8% of residential taxpayers have seen a reduction, no increase, or an increase of less than a \$100 to their residential tax bill, and 65% have seen such a change over the past five years. Even in the midst of the COVID-19 pandemic, the city has been able to continue to achieve these results while maintaining and expanding City and school services that residents have come to expect and while providing a robust capital improvement program.

The FY21 Budget is especially significant in terms of creating and preserving affordable rental and homeownership opportunities for low, moderate and middle-income families. A total of \$27.3 million of direct financial support is provided to the Affordable Housing Trust in FY21, which is an increase of \$7 million from FY20 (\$20.3 million), and achieves a goal of doubling the FY19 funding (\$13.6 million) for affordable housing in 2 years, which is earlier than was anticipated.

This newsletter explains your FY21 tax bill in detail and provides answers to 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 you again next month to explain the abatements and exemptions that are available to help reduce your bill. First half bills will be dated October 23, and due November 23, 2020. The Assessing Department will be offering virtual neighborhood taxpayer assistance meetings. Please see the back cover of this newsletter for dates and additional information.

Very truly yours,



Louis A. DePasquale, City Manager

Property Tax Highlights

- The Property Tax Levy of \$472.5 million reflects a 7.85% increase from FY20.
- The FY21 Adopted Budget increased by 5.1% over the FY20 Adjusted Budget.
- \$22 million in Free Cash was used to lower the FY21 Property Tax Levy.
- 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 \$432,666, resulting in tax savings of \$2,531.



FY21 Property Tax Update

Assessment Update

FY21 assessed values are established as of January 1, 2020 based upon market activity that occurred during calendar year 2019, which is the basis for the property assessment calculation. Overall, the total assessed value of taxable property in the City equals \$60.2 billion:

- Residential Property Values - \$34.1 billion
- Commercial Property Values - \$24.2 billion
- Personal Property Values - \$1.9 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 is 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.

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

	FY20 Value	FY20 Tax Bill	FY21 Value	FY21 Tax Bill	Tax Dollar Change	Percent Change
Single Family	\$1,370,500	\$5,515	\$1,417,400	\$5,761	\$246	4.5%
Condominium	\$690,500	\$1,605	\$707,600	\$1,608	\$3	.19%
Two Family	\$1,340,050	\$5,340	\$1,367,800	\$5,471	\$131	2.5%
Three Family	\$1,540,600	\$6,493	\$1,579,850	\$6,711	\$218	3.4%

* Includes Residential Exemption

The table below illustrates how approximately 59% of residential taxpayers will see a reduction, no change, or an increase of less than \$100. Another 18% of residential taxpayers will see an increase between \$100 - \$250.

Change in the Residential Tax Bills*

Change in Tax Payment	Number of Parcels	Percentage	Cumulative Percentage
Less than \$0 (tax decrease)	6,760	31%	31%
greater than \$0 but less than 100	6,237	28%	59%
greater than \$100 but less than \$250	4,029	18%	77%
greater than \$250 but less than \$500	2,829	13%	90%
Greater than \$500	2,212	10%	100%
Totals	22,067	100%	

* Based on Single, Two, Three Family, and Condominiums and assumes the Residential Exemption for each parcel in both years.

Three Major Factors Determine Your Tax Bill:

- **The City's Budget:** As a result of the recommendations adopted by the City Council, there is a 7.85% increase in the Property Tax Levy required to balance the FY21 Budget. The Property Tax Levy for FY21 is \$472,520,148.
- **Property Values:** FY21 values are based on market activity from January 1, 2019 through December 31, 2019.
- **The Commercial-Residential Property Tax Classification:** The share of FY21 property taxes paid by the commercial taxpayers is 65.4% and the share of FY21 property taxes paid by the residential taxpayers is 34.6%, the same as in FY20.

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 FY21 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2019 and December 31, 2019.

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?

As of each 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 five years. This year, the City successfully completed the DOR’s interim statistical validation.

How does COVID-19 affect the FY21 Assessments?

COVID-19 does not affect the FY21 property tax assessments. The real estate tax assessments always look back in time. Based on state law, the November 2020 property tax bill for FY21 uses January 1, 2020, as the date to determine values, looking at sales for residential properties that occurred during calendar year 2019. Unfortunately, this will not consider the circumstances that are happening now. The impact of COVID-19 will be part of the assessments for FY22. During calendar year 2019, residential real estate values increased due to the continued desirability of the Cambridge Market.

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/Services/realestatepropertytaxabatment](https://www.cambridge.gov/Services/realestatepropertytaxabatment).

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 FY21 is \$187.2 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 budgeted, and actual expenditures are less than budgeted. Free Cash must be certified by the DOR before it can be appropriated. In FY21, the City used \$22 million of its certified FY20 Free Cash to reduce property taxes paid by residential and commercial property owners.

How can I find out more about Participatory Budgeting Program?

You can find out about Participatory Budgeting (PB) at [pb.CambridgeMA.gov](https://pb.cambridge.gov) or by calling the City’s Budget Office at 617-349-4270.

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. First half FY21 bills will be dated October 23, 2020. If you do not receive a tax bill by early November and early April 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% as of the due date, according to Massachusetts State Law.

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, 2020. 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 early November, 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, 2020. 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 by April 1, 2021.

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 FY21 residential exemption of 30% equates to \$432,666 and will reduce the tax bill for owner occupied homes by \$2,531.

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 (617-349-4343) 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 an essentially 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 \$222.6 million in CPA funds, of which \$54.8 million can be attributed to the state match.

Is tax bill and payment information available online?

Yes. You may view your real estate tax, personal property tax, motor vehicle 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. **You may also use the City Payment Drop Box at the rear entrance of city hall to submit payment.**

I recently bought a new condominium. The FY21 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.

City of Cambridge
795 Massachusetts Avenue
Cambridge, MA 02139

**Fiscal Year
2021**

Collector of Taxes: David J. Kale

Based on Assessments as of January 1, 2020, your REAL ESTATE tax for the Fiscal Year beginning July 1, 2020 and ending June 30, 2021 on the parcel of real estate described below is as follows:

Tax Rate	Residential	Commercial	Industrial
Per \$1000	\$ 5.85	\$ 11.85	\$ 11.85
Property Description and Location			
Parcel ID 40-84	Book Page 14998/502		
Area 3250 sq. ft	Class	101	
Location 123 MAIN ST			

Fiscal Year 2021 Real Estate Tax Bill			
Assessed Owner		Bill #	
Smith, Jane		21845031	
Real Estate Taxes and Charges			
Residential	\$ 1,417,400	RES TAX	\$ 8,291.79
Commercial		COMM TAX	
Total Taxable Value		CPA	\$ 231.20
Residential Exemption	\$ 432,666	Betterment/Liens	
Special Assessments			
		Exemptions/Deferrals/Abatements	\$(2,607.03)
		Total Due FY2021	\$ 5,915.96
		1st payment Due 11/23/2020	\$ 2,957.98
		2nd Payment Due 5/3/2021	\$ 2,957.98
		Amount Due 11/23/2020	\$ 2,957.98

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, 2020.

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 FY21 exemption is \$432,666.

This results in a tax savings of \$2,531.10.

Assessed Owner

Assessed Owner: Person who owned the property as of January 1, 2020.

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) $\$1,417,400 - \$100,000 = \$1,317,400$

(B) $(1,317,400 / 1,000) \times 5.85 \times 3\% = \231.20

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 \$2,531.10 and the CPA by \$75.93. Therefore, the total reduction is \$2,607.03.

Abatement applications are due November 23, 2020.

Download an application at:

CambridgeMA.gov/Services/realestatepropertytaxabatement

Questions about your tax bill or assessment? Email us at: Treasurer@CambridgeMA.gov, Assessor@CambridgeMA.gov



Participatory Budgeting is a democratic process through which community members directly decide how to spend part of a public budget. PB directly involves residents in the budgeting and City-building process, fosters civic engagement and community spirit, and helps ensure that the City's Capital Plan reflects the priorities of Cambridge residents. **pb.CambridgeMA.gov**



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Newsletter #2

Taxpayer Assistance Schedule

Due to COVID-19, the Assessing Department will be offering virtual neighborhood taxpayer assistance meetings via Zoom. Prior to the scheduled dates below, links to the meetings will be posted on the Assessing Department's website at: CambridgeMA.gov/assessing.

Tuesday	11/10/2020	10 a.m. to 12 p.m.
Thursday	11/12/2020	10 a.m. to 12 p.m.
Tuesday	11/17/2020	2 p.m. to 4 p.m.
Thursday	11/19/2020	10 a.m. to 12 p.m.

Tax Related Questions or Need More Information

Property Value Information: Assessing Department
617-349-4343, CambridgeMA.gov/assessing

Tax Bill Information: Finance Department
617-349-4220, CambridgeMA.gov/finance

Budget Information: Budget Office
617-349-4270, CambridgeMA.gov/budget

General Information: City Manager's Office
617-349-4300, CambridgeMA.gov/citymanager

Important Dates

October 23, 2020: Tax Bills Mailed

November 23, 2020: Tax Bills & Abatement Applications Due

April 1, 2021: Exemption Applications Due



Cambridge Awards \$237K in City Scholarships

The City awarded 79 scholarships of \$3,000 each for a total \$237,000 to Cambridge high school seniors. Taxpayers receive a separate envelope with their property tax bill to make a donation to the Scholarship Fund. In addition, individuals can make an online scholarship donation by going to CambridgeMA.gov/paybill or by mail to City of Cambridge, P.O. Box 2005, Cambridge, MA 02139.