TO: CAMBRIDGE CITY COUNCIL   see S'76 # 103-   March 11, 1976 Placed on File

FROM: BOARD OF ASSESSORS   Index

In response to your request of March 1, 1976 (Council Order-David Clem) for input to policies concerning tax exempt properties, please be advised of the opinion of this Board.

The property tax is second only to the federal income tax and social securities levies and now accounts for approximately 56% of the revenues necessary to administrate local communities. This over reliance on the property tax has created a hardship for all property owners. Thus, the whole subject of the property tax is in great debate. The property tax for too-long has been a whipping boy for critics of the revenue system. Instead of creating budgets on the ability to pay, many local governments have seen fit to raise tax rates to absorb revenue needs. A limitation of the real property tax as indicated by the "Master Tax Plan" is very much in need. This would curtail in part the government spending that is indeed a part of our inflationary budgets and tax rates, changing economic values, lack of economic development, erosion of the tax base or any combination thereof.

One of the culprits has obviously been tax exempt property. How do we rectify this problem? The idea of rescinding all tax exemptions, like the notion of abolishing the property tax system of which they are a part, appears to be theoretically appealing rather than constitutionally and politically feasible. Complete abolition is not possible for a multitude of political and social reasons.

This Board has endeavored long and hard to relieve the exempt property situation in Cambridge. Since 1928 the City has been the recipient of "In--Lieu--of Tax Payments" from Harvard, Radcliffe, and M.I.T. This was based upon a 20 year agreement in which the community would receive voluntary payments from any land acquisitions on or after 1928 for a 20 year period based upon the current land assessment multiplied by the going tax rate. This renumeration was for land only and did not include the physical improvements. This was a 20 year agreement that was renewed in 1948. Upon the expiration of this agreement, many of the Harvard properties were dropping from the voluntary payment rolls and the City's economic condition required a different approach.

Therefore, we developed a new formula that increased voluntary payments from approximately $300,000.00 in 1970 to approximately $1,000,000.00 in 1976. All tax exempt properties were asked to make voluntary payments and many have responded. A complete synopsis of this program is attached.

What are our recommendations for the future?

1. A continuation of our present program involving a greater participation of tax exempt properties. This program will bring public attention to the plight of the Academic urban areas. We have endorsed this policy thru the International, State and County Assessors organizations in order to publicize this matter. A massive request for voluntary payments by all Assessors offices of exempt properties would generate a national concern. Our program, to our knowledge, is the most successful in the country and has been a model for many other municipalities.

Also, with the compilation of data for the implementation of equalization, we will be able to have a more comprehensive and accurate exemption information to be regularly reviewed and published. The public has to be apprised of the magnitude of the problem.

2. Federal Legislation--In 1975 this Board proposed and devised new innovative legislation based upon federal reimbursement thru Federal Revenue Sharing for those communities with a preponderous of tax exempt property. A copy of a letter of explanation to House Majority Leader Thomas P. O'Neill Jr., is enclosed to assist you in this regard.

We have been to Washington, D.C. and appeared before various taxation organizations to implement this legislation. Additional time and personnel are necessary to bring this to fruition. A return of up to $20,000,000. is possible under this legislation. This could be the most significant change in exempt property in history. The response has been receptive but a major lobbying effort is necessary for success.

3. State Legislation--As we seek property reform, there should be a clarification of all State exemption provisions including statutory exemption for widows, veterans, elderly, etc. The re-institution of the old lien law would aid in removing those persons not in need of tax relief.

Presently, property owners complete applications for statutory exemptions and attest to income and estate by signing under the penalties of perjury. There is no investigatory staff available to pursue the violators. The truth comes out only when estates are probated. Too often, estates are enlarged and perpetuated by falsification on statutory exemptions. This benefits the heirs at the direct expense to the local taxpayer. If a lien were placed on the property, then we would accomplish things:

1. Provide help for the elderly and indigent to remain in their homes while they live.

2. Provide for reimbursement to the community upon sale of the property or death of the owner.

3. Eliminate the violators from filing inititally.

This would protect the homeowner and the community. Why should we subsidize heirs who in most cases do not reside in the community?

In fiscal year 1975, we approved 1571 applications for statutory exemptions that amounted to $812,613.81.

Also, legislation should be redrafted to insure that tax exempt properties specifically provide for the public need. The loopholes and ambiguities must be removed. It becomes frustrating when the Courts allow tax exemptions for almost any seeming worthwhile social cause even though it may be a duplication of an already existing public entity. It might be interesting to note that some recent applicants for tax exempt properties.

1. The American Association of Variable Star Observers--5 Sparks Street

2. Park Street Chruch--Seeking Parsonage exemption in Cambridge residential property even though Church is located in Boston--1626 Mass. Avenue

3. M.I.N.D. Inc.--Multidisciplinary Institute for Neuropsyschological Development, Inc.--48 Garden Street

4. Foundation for Medical Research -49 Amherst Street

5. Harvard Community Health Plan--1603-1611 Cambridge Street

6. Cambridge Montessori School--161 Garden Street

7. Smithsonian Institute -Leases facilities from President & Fellows of Harvard College

8. Signet Associates--46-48 Dunster Street

These exemptions are costing the taxpayer dearly. However, legislation takes time and lobbyists will delay and attempt to change laws affecting their clients. The problem for legislative change in the Commonwealth lies in the fact that the majority of communities do not have the problem. Therefore, it takes a concerted effort on the part of a few to bring about change. Perhaps there should be a redirection of some planning and development funds to accommodate this critical need.

4. Moratorium--It is our opinion that there should be a moratorium on the expansion of current tax exempt properties and a restriction against new tax exempt properties. The legality of this intent has to be determined and discussed.

It should be mentioned here that the laws are quite clear on tax exemption. The legal basis for exemption is outlined in a pamphlet "Institutional Property Tax Exemptions in Massachusetts" by the International Association of Assessing Officers. This report is attached for your perusal. The City Solicitor and other legal personnel will have to determine the legality of restricting new exempt properties.

However, until this matter has been legally decided, it is our opinion that all further requests for the exemption of real property should administrated as follows:

1. Organizations make application for exemption thru the Assessors Office.

2. Request by Assessors for following information:

    a. Articles of Organization
    b. By Laws
    c. Financial Returns
    d. Income Tax Returns
    e. Certificate of Federal Income Tax Exemption
    f. Itemized list of disbursements and expenditures
    g. Statement as to the use of each part of the property
    h. Full explanation of the membership, stockholders, and operation of the Corporation.

3. A public hearing by the City Council, Committee of City Council, or Special Committee to discuss exemption and make recommendation.

4. Decision by City Solicitor.

This will acquaint the public and private sectors of the community with the problem at hand and perhaps generate our apathetic public to get involved.

Very truly yours

Board of Assessors

Thomas F. Gibson

Charles R. Laverty Jr., CAE,CMA

Rudolph R. Russo, CAE,CMA

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CITY OF CAMBRIDGE

INTEROFFICE CORRESPONDENCE

To Paul Healy, City Clerk

Date March 10, 1976

Board of Assessors

From Rudolph R. Russo, Chairman

Reference

Subject TAX EXEMPT PROPERTY

Dear Mr. Healy:

Enclosed please find a response to City Council order of March 1, 1976.

A decision by the Solicitor's office will be necessary in order to ascertain the legality of a tax exempt property moratorium.

Very truly yours

Rudolph R. Russo

Rudolph R. Russo, CAE, CMA
Chairman

Encl. 1

RRR:os

13. S-103

Comm. from Rudolph R. Russo, Chairman, Board of Assessors, responding to the City Council order of March 1, 1976 re: to tax exempt property.

In City Council
March 18, 1976

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Councillors Received
Copies Prior to
Meeting -