



CITY OF SOMERVILLE
BOARD OF ASSESSORS
JOSEPH A. CURTATONE
MAYOR

May 28, 2020

Mayor, Joseph A. Curtatone
City Hall
Somerville, MA 02143

Re: Exemption of Certain Taxable Personal Property (MGL Ch. 59, Sec. 5, Cl. 54)

Dear Mayor Curtatone:

The Board respectfully requests your recommendation to the Council that the City of Somerville accepts the provisions of Clause Fifty-Fourth of Section 5, Chapter 59. The statute provides for the local option of exempting personal property accounts from taxation if the assessable value is less than a certain amount in any year, provided that the limit set does not exceed \$10,000.

The Board is proposing an exemption limit to \$5,000 in value. This change does not affect the workload in the Assessing Department, as it still must calculate assessed values for all accounts, whether over or under the limit. However, it will reduce the City's administrative, billing, and collection costs, as these accounts tend to have high delinquency and ownership turnover. Throughout the Commonwealth, 188 municipalities accept the local option, with 38% electing to adopt the exemption limit of \$5,000.

Please note that this change will not affect the City's revenue stream from tax collections, as the revenue no longer collected from these accounts will be absorbed by the City's other taxpayers. For Fiscal Year 2020, 1,273 taxable accounts were generating a total of roughly \$5.3 million. Of those accounts, 454 were under \$5,000 in value, generating \$16,957 in taxes. These accounts accounted for 36% of the bills mailed, but only 0.31% of the revenue. When factoring the high number of delinquencies, as well as the associated billing and collection costs, the City nets minimal revenue from these accounts.

The City writes off many of these smaller accounts due to the one-year time lag between the assessment date and issuance of a bill. The Board can only assess the tax on those business owners who are in business as of the January 1 preceding the start of the fiscal year. However, if the account or the owner is new for that year, the first bill is not issued until December 31, almost a full year after the assessment date. In many cases, the businesses have changed hands or gone out of business after the assessment date. The Board has no legal authority to enforce

collection on the new owner. Furthermore, the effectiveness of the collection remedy available, i.e., small claims court is not cost-effective compared to the cost and effort to prosecute the collection of an account, and the resolution is not always favorable to the City.

Thank you for your consideration of this proposal. Please feel free to contact me if you have any questions.

Sincerely,



Francis J. Golden
Chief Assessor
Chairman Board of the Assessors

cc: Matthew McLaughlin, Somerville City Council President