

The Commonwealth of Massachusetts

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SPECIAL REPORT

OF THE

FINANCE COMMISSION OF THE CITY OF BOSTON  
RECOMMENDING LEGISLATION RELATIVE  
TO THE COLLECTION OF LOCAL  
PROPERTY TAXES

UNDER SECTION 18 OF CHAPTER 486 OF THE ACTS OF 1909

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FEBRUARY, 1962

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THE UNIVERSITY OF CHICAGO

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PHYSICAL CHEMISTRY

# The Commonwealth of Massachusetts

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## SPECIAL REPORT OF THE FINANCE COMMISSION OF THE CITY OF BOSTON RECOMMENDING LEGIS- LATION RELATIVE TO THE COLLECTION OF LOCAL PROPERTY TAXES.

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CITY OF BOSTON, FINANCE COMMISSION.  
24 SCHOOL STREET, BOSTON 8, MASS., February 13, 1962.

*To the Honorable Senate and House of Representatives.*

In the first place it should be explained why the Boston Finance Commission is introducing at this time the attached legislative petition to provide for payment of property taxes in two payments. This explanation is particularly necessary since several bills have already been filed for this session of the Legislature which also seek to provide for the multiple method of tax payment and are scheduled for committee hearing on February 19, 1962.

When the Finance Commission introduced a legislative petition on February 1, 1961, providing for multiple payment of property taxes, the resulting bill (House, No. 3010) was committed (1961 Resolves, Chap. 85) to the State Tax Commission for investigation and study, with the provision that the latter Commission file a report on or before the fourth Wednesday of January, 1962. The report required by the Resolve has now been filed. It contains two recommendations relative to any proposal for multiple payment of property taxes:

1. . . . it (proposal) should only be subject to local option or local acceptance, and that adoption by a community require a two-thirds vote of either the city government or the annual town meeting;
2. Provision should also be afforded in this legislation for rescinding the adoption of the partial payment system under the same terms required for adoption without requiring special action or authority of the General Court to achieve such rescission.

Both these considerations are provided for in the attached legislative draft.

## PROVISIONS OF THE PROPOSED LEGISLATION.

The attached draft of legislative petition provides that an estimated one-half of the property tax be due and payable on April 1. The balance of the tax would be due and payable as provided for in chapter 59, General Laws, late in the year; by that time the complete tax (using current valuation and current tax rate) would be known, and the balance calculated accordingly.

By setting April 1 as the date for payment of an estimated one-half of the tax, substantial sums would be available when needed, and temporary borrowing in anticipation of tax receipts, now received late in the year, would be reduced to a minimum or eliminated altogether. In fact it may be expected that large tax receipts would be received not only on or about the due date, but during a period before such due date. Present experience confirms such an expectation. At present, although interest is not imposed unless the taxes are unpaid after November 1, the fact is that the city receives large payments progressively during September and October.

## BASIS OF THIS PROPOSAL.

Each year many Massachusetts communities are forced to borrow many millions of dollars because tax receipts are not due until late in the year, whereas obligations must be met by the municipality every month of the year. Boston, as the largest city in the Commonwealth, is particularly affected by this need for temporary borrowing. The following table shows the amounts borrowed, time of borrowing, and interest rate paid on temporary borrowing during 1961 in Boston.

*1961 Total Borrowing in Anticipation of Taxes.*

Source: Treasury Department.

ISSUE DATE.	Maturity Date.	Amount.	Interest Rate.
March 15	October 20	\$5,000,000	1.60%
April 4	November 1	5,000,000	1.68%
April 25	November 1	5,000,000	1.54%
May 9	November 1	5,000,000	1.44%
June 6	November 1	5,000,000	1.46%
June 27	November 1	5,000,000	1.55%
August 1	November 2	5,000,000	1.47%
	Total . . . .	\$35,000,000	

Boston, in fact has been faced perennially with the necessity for temporary borrowing during the year. The following table shows amounts borrowed and interest cost in recent years:

*Temporary Loan Issues in Anticipation of Taxes and Interest Costs.*

YEAR.	Issue.	Interest Costs.
1954 . . . . .	\$60,000,000	\$415,854 52
1955 . . . . .	75,000,000	471,603 19
1956 . . . . .	88,000,000	1,007,589 00
1957 . . . . .	90,000,000	1,608,240 00
1958 . . . . .	80,000,000	970,946 69
1959 . . . . .	55,000,000	543,558 87
1960 . . . . .	45,000,000	486,070 70
1961 . . . . .	35,000,000	250,414 53

WHY THE CITY HAS TO BORROW.

The City Treasurer-Collector, continually analyzes his cash position in anticipating the commitments facing the City for the period ahead. When this analysis indicates that, notwithstanding receipts from departmental and other sources, the cash position of the City is inadequate, the City must then resort to temporary borrowing. The following table shows the time and amount of property tax receipts during the year 1960 and the particular levy year to which such payments apply. The final column shows the total tax receipts received in a given month in that year. Several conclusions can easily be drawn from this table:

(1) The City does not begin to receive substantial tax receipts until late in the year.

(2) Although interest is not imposed on the taxpayer unless the tax remains unpaid after November 1, it is significant that substantial monies are received in September. It will be noted in the following table that in 1960 almost nineteen million dollars of the current levy (1960 levy) was received in September; in fact over two million dollars of the current levy was received in August.

*Receipts of Taxes in 1960 — Real and Personal.*

Source: Collector-Treasurer Monthly Statement.

MONTH.	1960 Levy.	1959 Levy.	1958 Levy.	1957 and Prior Years Levy.	Total.
January . . . . .	-	\$1,119,045 66	\$1,143,579 39	\$ 9,204 86	\$2,271,829 91
February . . . . .	\$3,000 00	980,500 12	95,729 93	1,248 80	1,080,478 85
March . . . . .	83,326 98	2,872,816 22	51,796 21	1,106 92	3,009,046 33
April . . . . .	3,100 00	1,217,444 68	62,674 23	14,428 96	1,297,947 87
May . . . . .	111 55	564,966 36	50,191 10	2,578 02	617,847 63
June . . . . .	16,685 85	413,288 10	86,187 74	2,481 80	518,643 49
July . . . . .	701,513 99	269,095 47	187,479 50	819 24	1,158,908 20
August . . . . .	2,164,788 95	268,040 17	134,682 28	1,359 67	2,568,871 07
September . . . . .	18,812,037 74	221,651 23	2,478 01	1,206 00	19,037,372 98
October . . . . .	78,473,319 37	156,058 62	2,980 30	729 58	78,633,087 87
November . . . . .	29,305,726 55	272,163 73	1,000 00	6,728 03	29,585,618 31
December . . . . .	1,774,307 43	276,163 92	1,418 40	430 00	2,052,319 75
Total . . . . .	\$131,337,918 41	\$8,631,234 28	\$1,820,197 09	\$42,322 48	\$141,821,672 26

## ADVANTAGES OF THIS BILL.

The advantages of the attached legislative petition may be summarized as follows:

1. The proposal is permissive and subject to approval of the local government and its acceptance. Similarly, it may be rescinded, once adopted, by the local government. These features conform to the recommendations set out by the State Tax Commission, as the result of its study, previously referred to.

2. Tax receipts in substantial volume would become available early in the year, would meet current operating requirements in a substantial measure, and would minimize, and probably eliminate, the necessity for temporary borrowing.

It is illuminating to analyze how the operation of the attached proposal may be expected to work out in Boston to provide needed tax receipts early in the year.

The 1960 pattern of monthly receipts of taxes from the current tax levy may be used as the basis for estimating when and in what amount taxes could be expected to be received under the provisions of the suggested proposal.

Under this proposal, the payment of an estimated one half of the property owners' tax would be due on April 1, and penalty for non-payment would start to run a month from that date.

Substantial tax payments may be expected before the penalty date which is May 1. Under present law and practice, if taxes remain unpaid after November 1, interest starts to run as of October 1. Yet, in 1960 \$18,812,038 was paid during September, and \$78,473,319 was paid during October.

Applying this 1960 pattern, if the provisions of the proposed legislation were enacted for the payment of half of the estimated tax bill, it may be expected that approximately \$43,000,000 will be received progressively by May 1.

The availability of this money early in the year should eliminate the necessity for temporary borrowing. In the event that any borrowing has to be made before this money became available, the term of borrowing would be for a very short period of time.

3. The interest cost of temporary borrowing, which has been substantial, and promises to continue to be substantial unless such a measure as proposed in this draft is taken, would be minimized or eliminated.

4. This installment method would correspond to the prevailing bill-paying pattern of the average citizen and would probably be welcomed by the generality of taxpayers.

5. The penalty provision for delinquency in payment, necessary to make the system effective, should increase the percentage of collection of the current year's tax levy.

The Boston Finance Commission introduces this bill under its powers as expressed in chapter 486 of the Acts of 1909, as amended, and respectfully requests favorable action on this proposal.

Respectfully submitted,

THE FINANCE COMMISSION.

EDWARD W. BROOKE,  
*Chairman.*

ROGER J. ABIZAD, M.D.

MAXWELL B. GROSSMAN.

JOSEPH P. McNAMARA.

ANDREW A. HUNTER.

THOMAS J. MURPHY, *Executive Secretary.*

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Sixty-Two.

### AN ACT RELATIVE TO THE COLLECTION OF LOCAL PROPERTY TAXES.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. The General Laws are hereby amended by in-  
2 serting after chapter 58A the following chapter: —

#### 3 CHAPTER 58B.

#### 4 COLLECTION OF LOCAL PROPERTY TAXES.

5 *Section 1. Assessment of Estimated Property Tax.* — The  
6 assessors of every city having a Plan D or Plan E charter which  
7 accepts this chapter by the affirmative vote of two thirds of all  
8 the members of its city council, with the approval of its mayor,  
9 and the assessors of every other city which accepts this chapter  
10 by a majority vote of its city council, with the approval of its  
11 mayor, and the assessors of every town which accepts this chapter  
12 by a majority vote of its inhabitants present and voting at an  
13 annual town meeting, shall in each year assess upon every person  
14 upon whom in such year they will assess a real estate tax under  
15 chapter fifty-nine and also upon every person upon whom in  
16 such year they will assess a personal property tax under said  
17 chapter, and commit with their warrant to the collector of taxes,  
18 an estimated property tax which shall be in such amount as  
19 they estimate will equal one half of the tax to be assessed by  
20 them upon such person in such year under said chapter fifty-  
21 nine, or, if they so elect, in such amount as is equal to one half  
22 of the tax assessed by them under said chapter fifty-nine in the  
23 preceding year on the same property. Such city or town may,  
24 in the manner above provided, rescind its acceptance of this  
25 chapter which shall then no longer be in effect therein after  
26 December thirty-first of the year in which rescission was voted,  
27 but such rescission shall in no way affect any rights or liabilities  
28 acquired or incurred prior to the effective date thereof.

29 *Section 2. Bill for Estimated Property Tax.* — Every collector  
30 of taxes to whom an estimated property tax is committed under

31 this chapter shall not later than March fourteenth send to the  
32 person assessed a bill or notice thereof which shall be in a form  
33 approved by the commissioner.

34 *Section 3. Dates for Payment of Estimated Property Tax.* —  
35 Every estimated property tax assessed under this chapter shall  
36 be due and payable on April first of the year in which such tax  
37 is assessed.

38 *Section 4. Credit for, or Refund of, Payments.* — Every pay-  
39 ment, except a payment of interest, made on account of an  
40 estimated property tax assessed under this chapter in any year  
41 to any person on any property shall, to the extent of the tax  
42 assessed in such year to such person on such property under  
43 chapter fifty-nine, be credited on the due date of the tax so  
44 assessed under chapter fifty-nine as a payment thereon. Every  
45 payment, except a payment of interest, made on account of an  
46 estimated property tax assessed under this chapter which is  
47 not credited as aforesaid shall, subject to section ninety-three  
48 of chapter sixty, be refunded by the city or town to the person  
49 paying the same; provided, that within six years after such  
50 payment such person files with the treasurer of the city or town  
51 a written application therefor on a form approved by the com-  
52 missioner.

53 *Section 5. Revision of Estimated Property Tax.* — Assessors  
54 assessing in any year to any person on any property an estimated  
55 property tax under this chapter may at any time, upon the ap-  
56 plication of the person assessed or of their own motion, abate  
57 so much of such estimated property tax as remains unpaid, if  
58 such estimated property tax is in excess of one half of a revised  
59 estimate of the tax to be assessed in such year to such person  
60 on such property under chapter fifty-nine, or if such estimated  
61 property tax is in excess of the tax assessed in such year to such  
62 person on such property under chapter fifty-nine.

63 *Section 6. Penalty for Non-payment of Estimated Property*  
64 *Tax.* — If the whole or any part of an estimated property tax  
65 assessed under this chapter remains unpaid after the expiration  
66 of one month from the due date of such tax, the collector of  
67 taxes of said city or town shall impose and collect as a part  
68 thereof a penalty equal to one half of one per cent per month  
69 of the amount so remaining unpaid. The collector of taxes of  
70 said city or town shall, on October first in each year in which an  
71 estimated property tax assessed to any person on any property

72 under this act and also a tax assessed to such person on such  
73 property under said chapter fifty-nine are committed to him,  
74 compute the penalties, if any, due but unpaid on said date on  
75 such estimated property tax and add the same to, and collect  
76 the same as a part of, the tax assessed under said chapter fifty-  
77 nine.

1 SECTION 2. Section 57 of chapter 59 of the General Laws is  
2 hereby amended by striking out the first sentence, as most re-  
3 cently amended by section 1 of chapter 265 of the acts of 1949,  
4 and inserting in place thereof the following sentence: — Except  
5 as otherwise provided, real estate and personal property taxes  
6 shall be due and payable on October first of each year in every  
7 city, town and district in which the same are assessed.

1 SECTION 3. The first paragraph of section 15 of chapter 60 of  
2 the General Laws is hereby amended by striking out clause 1, as  
3 appearing in chapter 398 of the acts of 1952, and inserting in  
4 place thereof the following clause: —

5 1. For interest, the interest provided in section fifty-seven of  
6 chapter fifty-nine, and, in addition thereto, the interest, if any,  
7 added under section six of chapter fifty-eight B.

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9 and the assessors of every other city which accepts this chapter  
10 by a majority vote of its city council, with the approval of its  
11 mayor, and the assessors of every town which accepts this chapter  
12 by a majority vote of its inhabitants present and voting at an  
13 annual town meeting, shall in each year assess upon every person  
14 upon whom in such year they will assess a real estate tax under  
15 chapter fifty-nine and also upon every person upon whom in  
16 such year they will assess a personal property tax under said  
17 chapter, and commit with their warrant to the collector of taxes,  
18 an estimated property tax which shall be in such amount as they  
19 estimate will equal one-half of the tax to be assessed by them  
20 upon such person in such year under said chapter fifty-nine,  
21 or, if they so elect, in such amount as is equal to one-half of the  
22 tax assessed by them under said chapter fifty-nine in the pre-  
23 ceding year on the same property. Such city or town may, in  
24 the manner above provided, rescind its acceptance of this chapter  
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27 rescission shall in no way affect any rights or liabilities acquired  
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