



# Informational Guideline Release

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Bureau of Municipal Finance Law  
Informational Guideline Release (IGR) No. 15-210  
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Supersedes IGRs 89-207 and 86-216 and Inconsistent Prior Written Statements

## OPTIONAL ADDITIONAL REAL ESTATE EXEMPTION

[Chapter 62, §§ 14 and 27 of the Acts of 2014](#)

(Adding [G.L. c. 59, § 5C<sup>1</sup>/<sub>2</sub>](#) and repealing Chapter 73, § 4 of the Acts of 1986)

This Informational Guideline Release (IGR) informs local officials about changes made by recent legislation that places the statute establishing the local acceptance optional additional exemption enacted in 1986 in the General Laws and updates its provisions effective beginning in FY2016. It also explains the standards and procedures that apply to this local option exemption generally.

### Topical Index Key:

Exemptions

### Distribution:

Assessors  
Selectmen/Mayors  
City/Town Managers/Exec. Secys.  
Finance Directors  
City/Town Councils  
City Solicitors/Town Counsels

**Supersedes IGRs 89-207 and 86-216 and Inconsistent Prior Written Statements**

## **OPTIONAL ADDITIONAL REAL ESTATE EXEMPTION**

**[Chapter 62, §§ 14 and 27 of the Acts of 2014](#)**

**(Adding [G.L. c. 59, § 5C½](#) and repealing Chapter 73, § 4 of the Acts of 1986)**

### **SUMMARY:**

These guidelines explain recent amendments made by the 2014 Veterans' Allowances, Labor, Outreach and Recognition Act (VALOR II) that impact the operation of the so-called "optional additional" exemption. In a city or town that accepts the exemption and is certified by the Commissioner of Revenue as assessing property at full and fair cash value, taxpayers who are granted one of specified personal exemptions on their domiciles may receive an additional exemption of up to 100 per cent of the personal exemption amount.

Under the recent amendments, the optional additional exemption is now found in a new [G.L. c. 59, § 5C½](#). The exemption, which was enacted in 1986 when cities and towns were completing property revaluations for the first time in many years, was previously contained in a special act. See St. 1986, c. 73, § 4. The new statute was updated so that it will apply to personal exemptions listed in the first paragraph of [G.L. c. 59, § 5](#) for which receipt of another exemption is not allowed. That paragraph now includes other personal exemptions enacted after 1986. The exemption now also requires the municipality's legislative body, subject to local charter, to determine the exemption percentage not later than the July 1 beginning of the fiscal year for which it will first apply. The percentage would remain in effect until another percentage is voted for the fiscal years beginning on any July 1 after that vote.

The new statute may be accepted, and the exemption percentage voted, to take effect for fiscal years beginning on or after July 1, 2015.

These guidelines supersede prior guidelines on the optional additional exemption and any inconsistent prior written statements or documents. See Informational Guideline Release (IGR) No. 86-216, *Optional Additional Real Estate Exemptions for those Qualified under Section 5 of G.L. Chapter 59* and IGR 89-207, *Optional Additional Real Estate Exemptions for those Qualified under Section 5 of G.L. Chapter 59*. They update the features and operation of the optional additional exemption to reflect these recent legislative changes.

## **GUIDELINES:**

### **A. LOCAL ACCEPTANCE**

#### **1. Acceptance Procedure**

Acceptance of [G.L. c. 59, § 5C½](#) is by vote of the municipality's legislative body, subject to charter. [G.L. c. 4, § 4](#). (See attached sample acceptance vote.)

#### **2. Revocation of Acceptance**

Acceptance may be revoked, but the city or town must wait until at least three years after acceptance. Revocation is also by vote of the municipality's legislative body, subject to charter. [G.L. c. 4, § 4B](#).

#### **3. Effective Date**

The additional exemption will first apply in the fiscal year that begins the July 1 after acceptance and establishment of the exemption percentage. See Section B-1 below. Revocation of the additional exemption will take effect for the fiscal year that begins the July 1 after revocation.

#### **4. Notification of Acceptance or Revocation**

The city or town clerk must notify the Municipal Databank if the additional exemption statute is accepted or revoked. (See "[Notification of Acceptance or Revocation/Exemption Percentage](#)."") The notification should be made **as soon as possible** after the vote.

### **B. EXEMPTION PERCENTAGE**

#### **1. Percentage Determination**

The additional exemption is a uniform percentage of the amount of the personal exemption granted the taxpayer under [G.L. c. 59, § 5](#), **subject to certain limits**. See Section C-2 below. The same percentage must be established for all personal exemptions and it cannot be more than 100 per cent.

The additional exemption percentage must be determined by vote of the municipality's legislative body, subject to charter, on or before the July 1 beginning of the fiscal year for which the percentage will first apply. (See attached sample determination vote.)

Once a city or town has determined the additional exemption percentage, the percentage will continue to apply in subsequent fiscal years unless amended. See Section B-3 below.

2. **Effective Date**

The vote should explicitly state the fiscal year in which the exemption percentage will first apply and must take place before the July 1 beginning of that fiscal year.

3. **Percentage Amendment**

The legislative body, subject to charter, may amend the additional exemption percentage on or before the July 1 beginning of the fiscal year for which the amendment will first apply.

4. **Notification of Exemption Percentage**

The city or town clerk must notify the Municipal Databank when the additional exemption percentage is determined or amended. (See “Notification of Acceptance or Revocation/Exemption Percentage.”) The notification should be made **as soon as possible** after the vote.

C. **EXEMPTION REQUIREMENTS**

1. **Certification of Assessments**

The assessors may grant the exemption only in fiscal years in which the Commissioner of Revenue’s certification that the city or town is assessing property at full and fair cash value is in effect and the city or town is eligible to allocate the tax levy under property tax classification. [G.L. c. 40, § 56](#).

2. **Minimum Tax**

Except when a Clause 18 hardship exemption, Clause 18A temporary hardship deferral, Clause 41A senior deferral or any full exemption (for example, a Clause 22F paraplegic veteran exemption), is granted, the additional exemption cannot result in either of the following:

- a. The taxpayer paying less than the amount in taxes owed in the previous year. The additional exemption cannot reduce the taxpayer’s net real estate tax on the domicile below the net real estate tax on the domicile in the prior fiscal year.
- b. The taxpayer’s net real estate tax on the domicile being less than the real estate tax due on 10% of the assessed full and fair cash value of the domicile for the current fiscal year. All exemptions, personal, residential and additional, cannot reduce the taxpayer’s net real estate tax on the domicile below this minimum tax.

If the application of the full additional exemption would result in a tax less than the prior year or the minimum due on 10% of the assessed value, the assessors must reduce the amount of the additional exemption granted accordingly.

### **EXAMPLE**

Before July 1, 2015, town meeting votes to accept G.L. c. 59, § 5C½ for fiscal year 2016 and sets the additional optional exemption at 60%.

Taxpayer Jones applied for and is granted a \$500 Clause 41C senior exemption for FY2016 and therefore, could be eligible for an additional exemption of up to \$300 (\$500 x .60).

For FY2016, Taxpayer Jones' real estate tax is \$2,300 (\$230,000 assessed valuation x \$10/\$1000 tax rate).

For FY2015, Taxpayer Jones was granted the Clause 41C exemption and after that exemption, owed a real estate tax of \$1,700.

For FY2016, Taxpayer Jones must pay at least the greater of (1) \$1,700 (the net tax owed in FY2015) or (2) \$230 (the tax due on 10% of the value of the property).

Taxpayer Jones would be granted a \$600 exemption for FY2016 (\$500 Clause 41C and additional Clause 41C exemption of \$100).

(See attached chart with additional example.)

#### **D. ACCOUNTING**

All additional exemptions granted are charged to the overlay. Assessors in cities and towns that vote to accept [G.L. c. 59, § 5C½](#) are advised to review the adequacy of their overlay accounts before setting the tax rate.

#### **E. STATE REIMBURSEMENT**

Cities and towns that accept the additional exemption will not receive any additional state reimbursement. The city or town will only receive, subject to annual appropriation, the reimbursements provided by law for the underlying personal exemptions.

## **SAMPLE VOTES FOR OPTIONAL ADDITIONAL EXEMPTION BY LEGISLATIVE BODY, SUBJECT TO CHARTER**

**(These sample votes should not be used without the advice of municipal counsel.)**

### **TO ACCEPT AND ESTABLISH INITIAL EXEMPTION PERCENTAGE**

**ARTICLE/ORDER.** To see if the city/town will vote to accept [Massachusetts General Laws Chapter 59, Section 5C½](#), which provides for an additional real estate exemption for taxpayers who are granted personal exemptions on their domiciles under [Massachusetts General Laws Chapter 59, Section 5](#), including certain blind persons, veterans, surviving spouses and seniors, and to provide that the additional exemption shall be up to \_\_\_\_\_ percent of the personal exemption, to be effective for exemptions granted for any fiscal year beginning on or after July 1, \_\_\_\_\_, or take any other action relative thereto.

**MOTION.** I move that the city/town accept [Massachusetts General Laws Chapter 59, Section 5C½](#), which provides for an additional real estate exemption for taxpayers who are granted personal exemptions on their domiciles under [Massachusetts General Laws Chapter 59, Section 5](#), including certain blind persons, veterans, surviving spouses and seniors, and provide an additional exemption up to \_\_\_\_\_ percent of the personal exemption, to be effective for exemptions granted for any fiscal year beginning on or after July 1, \_\_\_\_\_.

### **TO AMEND EXEMPTION PERCENTAGE**

To see if the city/town will vote to amend the additional real estate tax exemption granted under [Massachusetts General Laws Chapter 59, Section 5C½](#) to taxpayers who are granted personal exemptions on their domiciles under [Massachusetts General Laws Chapter 59, Section 5](#), including certain blind persons, veterans, surviving spouses and seniors, to an additional exemption of up to \_\_\_\_\_ percent of the personal exemption, to be effective for exemptions granted for any fiscal year beginning on or after July 1, \_\_\_\_\_.

## Optional Additional Exemption Example

Assumes Adopted for First Use in FY2016

### Impact on Existing Personal Exemption Recipients

	FY 2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Assessed Tax</b>	\$1000	\$1050	\$1075	\$1100	1200	1300	1400	1500
<b>Personal Exemption (Clause 22)</b>	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
<b>Net Tax After Exemption</b>	<b>600</b>	650	675	700	800	900	1000	1100
<b>Additional Exemption Voted (100%)</b>		<b>400</b>						
<b>Additional Exemption Allowed</b>		(50)	(75)	(100)	(200)	(300)	(400)	(400)
<b>Amount Due<sup>1</sup></b>	<b>600</b>	<b>700</b>						

### Impact on New Personal Exemption Recipients

	FY 2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Assessed Tax</b>	\$1000	\$1050	\$1075	\$1100	1200	1300	1400	1500
<b>Personal Exemption (Clause 22)</b>	<b>0</b>	(400)	(400)	(400)	(400)	(400)	(400)	(400)
<b>Net Tax After Exemption</b>	<b>1000</b>	650	675	700	800	900	1000	1100
<b>Additional Exemption Voted (100%)</b>		<b>400</b>						
<b>Additional Exemption Allowed</b>		(0)	(25)	(50)	(150)	(250)	(350)	(400)
<b>Amount Due<sup>2</sup></b>	<b>1000</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>700</b>

<sup>1</sup> Cannot be less than tax on 10% of domicile's assessed valuation

<sup>2</sup> Cannot be less than tax on 10% of domicile's assessed valuation